

WÄRTSILÄ CORPORATION

Moderator: Jaakko Eskola
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Operator: This is Conference #9493289.

Jaakko Eskola: Good morning, everyone, and welcome to Wärtsilä half year financial report 2018 presentation. I have here this morning with me the whole board of management and Natalia Valtasaari, the Head of Investor and Media Relations. So everyone is here is ready to answer all the questions you might have.

The good momentum in order intake continued during the second quarter. And I'm extremely happy to see the development of the order intake in Services. We have a strong support from our customers for the long-term agreements. Also, Marine Solutions order intake was a highlight of this quarter.

If you look at some of the important, most important figures, order intake, in a group-wise, was 14% higher. Net sales stable, a bit lower on the second quarter. But if you take the first six months, a bit higher. I will come back to the development of the net sales in different divisions.

Book to bill, very high. Result at stable compared to last year, and earnings per share a bit higher. Our cash flow now developing to the right direction, and it's great to see the order book at the end of the period is almost EUR 6 billion. So over EUR 800 million more than previously.

If you look at the different divisions, really, Services long-term agreement development is driving the growth in Services. In addition to that one, there is a lot of retrofitting scrubbers in our business. Marine Solutions, the same, the scrubber business is developing well. And Energy Solutions, stable. Last year, we had a good number and now it's a stable. But when we go through Energy Solutions later on, you can see the quotation activities is very, very positive.

Net sales, stable. And Services, here, it's good to remember that the FX impact - negative FX impact, if you correct that one in the second quarter, we had a 3% increase in net sales. And during the first six months, it's 5% increase, just according to our plans.

Marine Solutions, second quarter, a bit up. And then what is actually affecting the net sales of the group in the second quarter and the first six months is the

timing of our Energy Solutions projects. So some of the projects have moved from the second quarter, hopefully to the third quarter and so that development will be later on corrected.

Services now 48% of the net sales, and Energy a bit higher than Marine. Book to bill, very nice development. And if you look at the order book distribution, of course, the last six months of this year, delivery schedules are going to be higher than in the first six months. So of course, typically for Wärtsilä, again, the fourth quarter is going to be a very important for us.

Operating result stable. And when moving to the different divisions, Services sales, as I said, FX impact, with that one corrected, there is a growth. And when you look at the distribution in different businesses or product areas first, spare parts is still a bit less than 50%. We are driving, of course, that heavily. Agreements, 22% now. That's very good because the agreements support the long-term growth also in our Services business.

Power Plants, a bit lower than previously. There might be some slower developments in our nuclear power plant business services and - not nuclear power plants, but supporting the nuclear power plants with our engines. And then you see, of course, cruise is growing at the moment, cruise and ferry, a bit.

Installed base now a bit positive development on energy side. And one of the highlights in the second quarter was actually a good deal with Transocean, one of the biggest offshore company where we will optimise the maintenance of all Wärtsilä thrusters installed on Transocean's fleet. That's a performance-based agreement and really again is a good combination of the new digital development within the Services organisation.

Energy quotation activity, again up. A lot of gas, LNG-fueled power plants. And the order intake is stable. There is a very clear trend when you look at the gas-driven power plants going forward.

And when you look at the different areas, Asia is very active. And one of the highlight here on second quarter was a power plant in Myanmar. It's a gas-fueled 145-megawatt power plant. Now we have sold power plants to 178 countries. So one country added to the previous number. And this is a fast-track project, so should be operational already during the first quarter next year.

This is a bit older number, but we have reached the 21% market share, and that is, of course, because the development of our new renewable story globally.

Marine Solutions. June, 62 vessels. But if you look at the first six months, there is a growth in vessel contracting. So there is a positive momentum going on now in the marine market in quite many segments. For us, of course, still good development on cruise and ferries and gas carriers. And when you look at the different development on the segments, traditional merchant is now up. That's probably and mainly because of the scrubber orders we have seen there, but cruise and ferry still playing also quite important role, and the gas carriers.

One of the highlight is the scrubber business today, EUR 170 million order for hybrid gas cleaning equipment for one of our customers. This is a retrofit. So this is actually a Services transaction, but it actually highlights that a lot of these scrubbers are going to the market at the moment.

A couple of slides regarding the financial cash flow developing on the second quarter, now better, and the first six months, stable development. Here, I have to mention that one of the reason for the development of the cash flow is the working capital development. We are building inventories at the moment for a heavy deliveries during the last six months of this year.

Gearing, a bit up because of the latest transaction acquisition we bought. Transas, 0.29 now. And the prospects, we have now changed and raised the prospect in Marine Solutions. So it used to be solid, now it looks good because we see positive momentum in the marine market.

With this, I end this presentation. And now we are, of course, ready for the questions and answers. And as we started already last time, that please ask one question only and then one follow-up question. And then if you need something more, then please come back to the line later on so we can have the possibility for everybody to ask questions.

Anybody here in the audience here in Helsinki. No? Then why don't we go directly to the lines, please?

Operator: Thank you. We will now begin the question and answer session and as a reminder, if you wish to ask a question, you will need to press star and one on your telephone keypad.

We have questions that come from the line of Sven Weier. Please ask your question.

Sven Weier: Yes. Thank you for taking my questions. The first question would be on the spare parts business, which, overall, didn't show any major improvement in the quarter. But I was just wondering if you could comment a little bit about the momentum in the quarter. If you saw any improvement towards the end of the quarter or anything you could tell us about that. That would be question number one. Thank you.

Jaakko Eskola: Thank you, Sven. And Pierpaolo, you see daily how that develops. So let us know more about the momentum.

Pierpaolo Barbone: Well, what we can say is that first of all, excluding the negative impact of the EUR 68 million we have seen, as Jaakko has mentioned, we have a growth of 5% that we have forecasted or we have planned for this year.

The orders that we have received in the previous year were related mainly to long-term agreement. And in order to recognise the long-term agreement, according to the IFRS 15, the standard revenue recognitions base on cost accumulation, so that let's say, may delay some revenue recognition compared to previous approach.

On the merchant, we have still slower activities compared to what we expected. What it is good is that during the second quarter, especially on merchant and specifically on the two-strokes, the order intake and the sales on parts were higher compared to quarter one, and that is a positive indications, especially in June. And this is the reason why we expect to recovery - this segment, good recovery, during the second half of the year.

Jaakko Eskola: Thank you, Pierpaolo. So the momentum is getting now better. But also on - partly, you see it in offshore?

Pierpaolo Barbone: In offshore, the bleeding has stopped.

Jaakko Eskola: The bleeding has stopped.

Sven Weier: Thank you for that and that's actually leading to my follow-up question because if I look at the order intake in Marine, I can see a bit of a pickup in the offshore order intake. On the other hand, it's a bit of a slowdown in cruise. I mean, I'm conscious of the lumpiness here. I'm conscious of the fact what you've said that, I guess, there are still like 100 cruise ships that haven't placed the engine order. So should we see a stronger second half then in the cruise orders again? That would be the follow-up. Thanks.

Jaakko Eskola: Thanks, Sven. And Roger. I mean, I'll let you answer that. You know what's going on in cruise, specifically.

Roger Holm: Yes, thank you. If you look at the cruise, if I start from vessel contracting, it's continuing as expected, I would say. We had 13 new vessel contracts for cruise vessels during the first half of the year. We don't see a slowdown on cruise at the moment. As we have said before, it's fairly long delivery time, and all yard capacity is in full use, so you have to wait a long time for the vessels. But from an activity point of view, it's more the normal quarterly differences.

Jaakko Eskola: And some of the cruise ships are now getting also a little bit smaller, and you build expedition cruise.

Roger Holm: Expedition cruises, and that has been actually a fairly active vessel contracting ordering for the first half of the year as well, going more to special segments. And that we also expect to continue.

Sven Weier: So in a way, that backlog of this 100 cruise ships is getting bigger at the moment?

Roger Holm: Yes, you can say so. There is no indication that we would see that, that would go down at the moment.

Sven Weier: OK. Thank you for that. I go back in line.

Roger Holm: Thank you. Thank you, Sven.

Operator: Thank you. Your next question comes from the line of Max Yates. Please ask your question.

Max Yates: Thank you. Just my first question is around trying to understand the sort of profitability developments in the quarter. We obviously talked last year a lot about management provisions for incentive programs. That looks like it was EUR 18 million tailwind in the quarter. I'm just trying to understand where that went, what the major offsets were in the business and whether it is just purely the spare parts development. Because if you look at spare parts in Q2, they were actually flat year-on-year. So there's not an obvious discrepancy there. So is there anything else going on in the business which can help explain what has eroded the reversal of what looks like quite a significant tailwind for management provision?

Jaakko Eskola: Thank you for the question. Yes, there are a couple of items. We are still spending money in our digital development. That's going on, and we'll continually ...

Max Yates: That's EUR 3 million, right?

Jaakko Eskola: In the first ...

Max Yates: Increase in digital?

Jaakko Eskola: First, probably yes. That's around the right number. And because of the higher activities in the businesses, specifically also in -I mean, as you see in energy sector, we have been investing in new resources. So we have new people in the organisation, and that's, of course, the department costs are also higher.

Max Yates: OK. Maybe my follow-up question would just be around FSRUs. And obviously, that was quite a healthy sort of order segment for you last year. In 2017, I think there have been fewer of those orders. But just trying to understand the pipeline of orders there for FSRUs because, obviously, that can have quite a significant bearing on the gas carrier segment that you report and potentially overall marine. So just if you could give a bit of color on what you're seeing there, that will be helpful.

Jaakko Eskola: Yes. Thank you. Roger, would you ...

Roger Holm: If I start from the gas carriers. We have 42 gas carrier orders year-to-date now from a contracting point of view, so we are already higher than last year in total. But FSRUs, we have had clearly less activities the beginning of this year because there are still FSRUs in the pipeline that don't have a final contract. So at least we expect that those needs to come in place before we'll start to see more activities on FSRUs. So good activities on gas carriers, in general. FSRUs, so far, beginning of this year slower than last year.

Max Yates: OK. Thank you.

Jaakko Eskola: Thank you.

Operator: Thank you. Your next question comes from the line of Johan Eliason. Please ask your question.

Johan Eliason: Yes. I was just wondering about how the scrubber orders will turn into revenues. So you announced a big order in the service side. Is that all for next year? And

then on the newbuild side, can you sort of quantify how much scrubbers were for the newbuild orders, whether they have the same magnitude as Services or we're talking a smaller number there, and are they later on? Thanks.

Jaakko Eskola: Thank you. First of all, if Marine customer orders scrubber for the new buildings, that's, of course, deliveries are later on and depending on the shipbuilding schedule. The retrofitting is a business which is mainly going to affect our numbers next year and 2020, so the next couple of years. Not so much yet this year. I don't think we have - the timing is, I mean, it's too quickly coming, the year end. And the numbers, Marine side, we sold 41 scrubbers and Services, 68.

Johan Eliason: OK. Thank you very much.

Jaakko Eskola: Thank you.

Operator: Thank you very much. And your next question comes from the line of Manu Rimpelä. Please ask your question.

Manu Rimpelä: Thank you. I would like to follow up on the margin developments. I mean, as previously stated, the impact from the increased investments in the digitalisation has reached EUR 3 million, and that still leaves a pretty big gap. And you explained the gap compared to last year is result with the increased investment in Services -- sorry, in Energy Solutions. So are we talking about more than EUR 10 million of increased investments into people and back office and in different functions in Energy Solutions. It sounds like a fairly sizable number. Or is there still something else which is kind of burdening the margin compared to the previous year like the mix impact in Services as well?

Jaakko Eskola: Thank you, Manu. Marco Wirén, our CFO, wanted to add some highlight to the question.

Marco Wirén: Yes. Thank you for the question, Manu. If you just look Q2, we can see that volume actually had a negative impact on our EBIT as well, and that was quite a big number in - if you take that from gross margins of - for the EBIT is actually double digit. Then, of course, just like Jaakko mentioned, the department costs and, of course, we will have heavy deliveries - an increase in deliveries in Energy Solutions. So we've seen an increase in engineering cost, and that's coming in Q2 as well.

And then actually R&D, as I mentioned in Q1 already, we have a little bit tilted distribution of the full year R&D cost towards the H1, so we will have a lower

number in H2 compared to H1. So in Q2, R&D costs were EUR 6 million higher compared to a year ago. So I hope this gives a little bit more flavor on -- but on the other hand, I would say also that the positive thing is that gross margins were a little bit higher in Q2 this year compared to last year, so we see the improvement in margins going up. So thank you.

Manu Rimpelä: OK. And then the follow-up on that, I mean, can you help us to think around then the seasonality? As you know, that you are very much Q4 heavy in terms of the profit, and the first year half of the year accounts 35% of the full year profitability. So will we then see even higher-than-normal skew towards the second half of the year, given that the first half of the year you are lagging still behind what you delivered, or slightly up compared to what you delivered in 2017? And if you include all the long-term incentive provisions, you're actually behind. So help us understand how to think about the seasonality.

Jaakko Eskola: Thank you, Manu. I'm not going to start guiding quarters. As I said, the last six months are going to be important for us, and definitely, the fourth quarter. It's also how the development in Services is going on. We strongly believe, when looking at the markets, there will be - the mix of Services is important than the growth of Services during the next months. So all that will definitely help the numbers for the year.

Manu Rimpelä: Thank you.

Operator: Thank you. Your next question comes from the line of Antti Suttelin. Please ask your question.

Antti Suttelin: Thank you. I would like to talk about the scrubbers. Can you just state the number of retrofit scrubbers in Q1 and Q2 combined?

Pierpaolo Barbone: 108, totally. The quarter, 68, the second quarter for retrofits.

Antti Suttelin: OK. And how should we think of this? Alfa Laval has spoken about 5,000 ships to be retrofitted overall. Over what time period do you think this should happen, 10 years or less, or more?

Jaakko Eskola: Of course, now it's important to understand that this regulation comes into force 2020. So everybody is aiming for that one. That's the starting point, so that's why next year is going to be very important. For order intake is, of course, this year, and then next year to retrofit them. Of course, if you don't get the slot or you don't get the scrubber, you can switch to diesel and do it later or then scrap

your ship and build an LNG-driven ship. So but the main momentum is this year and next year.

Antti Suttelin: OK. And what do you think what is your feel of Wärtsilä market share you may see in the scrubbers --?

Jaakko Eskola: The biggest players are Wärtsilä and Alfa Laval, and there are a couple of smaller players also in the market. There are some companies who have even their own scrubber manufacturing. I don't really know if we know today. This has developed also very quickly during the last couple of months, but I would like to say that we are the market leader at the moment. Yes, everybody is agreeing with me here in Helsinki.

Antti Suttelin: So should we say 40% margin share for Wärtsilä?

Jaakko Eskola: 40% margin? No, not yet.

Antti Suttelin: For market share, 30%? Where if you think --.

Jaakko Eskola: Let's get back to that one in January, then we know exactly where we are until 2018. We'll be there.

Antti Suttelin: OK. Thank you.

Jaakko Eskola: Thank you.

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

Sean McLoughlin: Good morning. Thank you. Just a follow-up from the previous question. If I can understand how you think about your capacity to deliver scrubbers, are you now already sold out for next year? How are you thinking about maybe prioritising resource internally to ultimately allow you to deliver this very high number of customers that seem to be coming your way for very quick delivery?

Jaakko Eskola: Thank you. It's a very good question, and of course, we are paying a lot of attention how to solve and service our customers. And of course, I mean, we rely a lot to our sub-suppliers, and we have been working with them heavily to be able to sell, first of all, and then deliver. Our own service organisation is, of course, there to help when we are doing the final retrofitting onboard of the vessels. So every possible ways have been utilised, and we are starting new ways also to service them better. We have not - it's not yet sold out for next year, so there is a

possibility. And of course, the customers who come first, they will be served first. And as the gentleman here also said, it's developing quite well at the moment.

But it's a challenge. I mean, you had a good question. It's a challenge to - it was ramped up quite quickly, but we were ready for that one. So we already knew that the customers will be there.

Sean McLoughlin: And a follow-up if I may. Just to understand, what percentage of this order intake is just for the equipment, and what percentage is the equipment plus the installation?

Jaakko Eskola: Of course, Marine 41 is only equipment. There is - that will be installed at the shipyard. And the 68 in the second quarter or over 100 for the first six months in Services, that's, I mean, can you ...

Pierpaolo Barbone: Those are including some engineering.

Jaakko Eskola: There is engineering.

Pierpaolo Barbone: Collection, commissioning, but it's not homogeneous.

Jaakko Eskola: It's not possible to start breaking it up.

Sean McLoughlin: OK. Thank you.

Jaakko Eskola: Thank you.

Operator: And your next question comes from the line of Edward Maravanyika. Please ask your question.

Edward Maravanyika: Good morning, Jaakko, so most of my scrubber-related questions have been asked. But just the EUR 170 million, is all of that tied into the 68 or did the EUR 170 million not have the entire 68?

Marco Wirén: 194.

Jaakko Eskola: 194 is ...

Marco Wirén: Second quarter in (services).

Jaakko Eskola: Yes.

Edward Maravanyika: I missed the first part, sorry. The line went blank.

Jaakko Eskola: Sorry? I ...

Marco Wirén: Was the second quarter or the first half year you're asking about?

Edward Maravanyika: For Q2. So if I look at the EUR 170 million, your order that you announced, is that relating -- is that all the 68 Q2 -- ...

Jaakko Eskola: No, no, no. That's a one deal. That's a one deal retrofitting deal with one customer.

Edward Maravanyika: OK. So how many scrubbers were in that EUR 170 million order?

Marco Wirén: Do you remember how many?

Pierpaolo Barbone: Yes, I know.

Jaakko Eskola: But ...

Pierpaolo Barbone: 56.

Jaakko Eskola: 56 is the number.

Edward Maravanyika: 56?

Pierpaolo Barbone: 5-6.

Jaakko Eskola: 56.

Edward Maravanyika: OK, 5-6. So if I wanted to do a sort of an average cost per scrubber, how much of that ...

Pierpaolo Barbone: No.

Jaakko Eskola: No, no, no. That's a retrofitting. That's the value of the transaction. So that includes engineering, installation and all kinds of -- ...

Pierpaolo Barbone: First of all, the size of the scrubbers are different, first of all. The second ...

Jaakko Eskola: Three different sides of scrubbers and order form.

Pierpaolo Barbone: And then the type of, let's say, scrubber supply is different. So we cannot homogenise it. We cannot take all the scrubbers and divide the money by the scrubbers. It would give a very, very wrong assumption.

Edward Maravanyika: OK. All right. OK, fine. Can you put -- and as a follow-up, can you put in perhaps a utilisation number in terms of your scrubber work at the moment?

Jaakko Eskola: No. No, it's not possible. No.

Marco Wirén: It's sub-suppliers.

Edward Maravanyika: All right. OK. But if the current order is continued for the next three, four quarters, you would be able to keep your delivery times the same?

Jaakko Eskola: Yes.

Edward Maravanyika: OK. All right. Thank you.

Jaakko Eskola: Thank you.

Operator: And your next question comes from the line of Tomi Railo. Please ask your question.

Tomi Railo: Good morning, this is Tomi from SEB. A little bit on the M&A theme, a couple of larger possible deals have gone elsewhere. What's your current thoughts on that side?

Jaakko Eskola: Yes, I don't know. Thanks, Tomi, for the question. I don't know what you mean elsewhere, but we have analysed. Of course, I mean, we look at all the possible candidates in the market, and we have analysed those companies also and look at the possibility what it would mean to Wärtsilä and concluded that it's not for us.

Tomi Railo: Just a follow-up. Is it on the price or quality? Are you happy with your current portfolio without this kind of ...

Jaakko Eskola: There is all kinds of reasons. I mean, you have to add all of them together.

Tomi Railo: Thank you.

Jaakko Eskola: Thank you.

Operator: Thank you very much. And your next question comes from the line of Robert Davies. Please ask your question.

Jaakko Eskola: Hello?

Robert Davies: Hello, can you hear me?

Jaakko Eskola: Yes, now we can hear you. Please.

Robert Davies: All right. Thank you. Thanks for taking my question. My question was just on the Energy Solutions business, whether you could give us a little bit more color in terms of the regional developments. So what customers are saying in sort of the various regions and what your expectations are for the year, for the back half of the year, if you could?

Jaakko Eskola: Thank you. Javier, now please, tell us more about the regions and ...

Javier Camino: Thank you. Excellent. Thank you for the good question. I mean, the growth that we have experienced in the last years continues, and that's very diverse globally. So that is one of the key strengths of Wärtsilä. Jaakko was mentioning that this quarter, we were contracting a new country, a order in Myanmar, a new country for Wärtsilä and a new country that is opening up for more flexible solutions, thinking in a future with more renewables.

I'd like to highlight that there is no single country in the planet that is not aware that renewables are coming. So renewables are coming. They need flexibility. That means flexible engines, energy storage, the full integration package. So a very quick answer would be everywhere. We really see growth everywhere.

The last two years plus, we have seen Asia being the one growing most. That will continue. Asia will continue growing the most due to the development of economies there and also due to the leapfrog that countries are making, jumping from old-fashioned technologies, inflexible and stiff technologies that don't enable solar and wind, to more flexibility.

And that's why we see Indonesia, we see Bangladesh, we see many countries now Myanmar. We have seen not in Asia, but in Australia are going to down under. Compared to here, Helsinki, I mean, we are -- we had our first big order ever with 211 megawatts announced in the first quarter of this year. So we see that development everywhere. If I give the top three, it will be Asia, United States and probably between Middle East and Africa, the three places. I said four, but ...

Jaakko Eskola: And Senegal was one highlight also ...

Javier Camino: Yes, yes, exactly.

Jaakko Eskola: So Africa is developing well.

Javier Camino: Exactly. Senegal is investing in renewable future. I mean, we know that the sun, the big sunny or solar radiation belt is impacting heavily in Africa. So there is an enormous potential for solar electricity, for solar energy being extremely affordable. And we, at Wärtsilä, not only because we're already present in Africa through our services and long-term agreements, but because we have the technologies that enable solar to be dispatchable and to be reliable.

And that's why, as you said, Jaakko, Senegal was one of the highlights of this quarter in which they go full-fledged for renewables. So they adopt the Wärtsilä smart energy vision, and they come with us with engines, storage, software and all our EPC and services possibilities.

But as I said, Asia, U.S., and the third one, Middle East and Africa, so.

Robert Davies: OK, great. And then my follow-up was just -- I wonder if you could make a comment about how you see the potential risk from trade tariffs because, obviously, various companies are starting to mention it. I just wondered, what are your thoughts in terms of implications for Alfa Laval over the next year or so?

Jaakko Eskola: So first of all, I mean, globally, I mean, if you look at Wärtsilä, the uncertainty in the market is, of course -- is a concern. And it's a -- but it hasn't developed, I mean, not in energy market yet. Customers are investing. Customers are buying vessels, as you see from the vessel contracting. Some of our customers in marine markets, specifically, are probably only exercising the most necessary service jobs. So there, you'll probably see a bit of hesitation. But of course, if you would see a trade war, global trade war, that would definitely affect to everybody's business.

Robert Davies: Yes. OK. That's good. Thanks very much.

Jaakko Eskola: Thank you.

Operator: Thank you very much. And your next question comes from the line of Peter Reilly. Please ask your question.

Peter Reilly: Good morning. Sorry to come back to the scrubber business. But can you talk about how the market for retrofit is going to look in 2020, 2021 and afterwards? Do you expect a rush next year and then the market essentially dies because people will leave the retrofiters or they won't? Or do you think it will depend on where the relative price of high sulfur and low ...

Jaakko Eskola: Hello? We lost -- now he has to go back to the line or -- how does it work?

Operator: And your next question comes from the line of Glen Liddy. Please ask your question.

Glen Liddy: Good morning. For the Energy division, can you give us an idea of what's happening to pricing, and what is the split between sort of power plants that are going to facilities where it's connected to renewables, and how that's developed?

Jaakko Eskola: OK. Glen, thank you. I can answer the first question. The pricing is going up, and that has been a very positive trend in our energy business. Do you want to, Javier, continue with connecting to the renewables?

Javier Camino: Definitely, because both questions are very connected. And as Jaakko mentioned, we see every quarter and every month the profitability or the pricing environment is getting better. And this is coming because the complexity of the grids and the complexity of the solutions is getting bigger. This is something that the energy market is already known to in the last more than three years, that the complexity is getting higher and higher when the solar and wind and more intermittent sources are coming into the grid.

That is answering part of your question. So the more renewables you have into the grid or into the whole ecosystem of assets, then the more complexity you need to solve. And that is really the strength of Wärtsilä, and that is the know-how we have with our smart solutions. We can put them all together with a software platform. We can construct them, we can service them.

And when we talk about grids, where there is no renewables yet, and I link to a previous question we got from another colleague, that renewables are coming even if they're not here today. Countries need to invest today in assets that will last 30, 40 years. So they need to have plans for renewables to come. And for that reason, the solutions need to be ready to adopt and to integrate intermittent sources of power. So even those places in which there are no renewables, solutions need to be ready for them to be welcome because this is a transition that is accelerating everywhere.

Glen Liddy: OK. And the question on service business. You have seen an improvement in the proportion of your installed base covered by long-term contracts. I know it will be lumpy, but are there larger potential contracts in the pipeline, because clearly as the percentage of your installed base that grows, getting a small contract isn't

going to make much of a difference. But are there still large customers that you're engaged with that could enter into long-term contracts?

Jaakko Eskola: Thank you, Glen. Excellent questions. The answer is yes, but I will let Pierpaolo to open it up a bit.

Pierpaolo Barbone: The answer is yes, definitely. And let's say, we hope to announce very soon something interesting. The second comment is related to the number of installation that is leading to what you exactly were mentioning.

So the number of installations have increased visibly also from the previous quarter from 829 to 864, not including the 200 installation locomotives in which we have, let's say, a good maintenance agreement that we have published during this quarter. So having the same -comparing apples with apples is 829 against 864, so number of installation is higher. Power density is lower. So it is also in accordance with the trend of our industry. So the installation are becoming, let's say, smaller. You are right.

Glen Liddy: OK. Thank you very much.

Pierpaolo Barbone: Thank you.

Operator: Thank you very much. And your next question comes from the line of Erkki Vesola. Please ask your question.

Erkki Vesola: Hi, it's Erkki from Inderes. You're talking about Energy Solutions projects having been moved from Q2 to Q3, maybe to Q4. Can you give us any kind of ballpark figure how big the impact was, and was there anything exceptional in there to comment?

Jaakko Eskola: Erkki, thank you for the question. I'm not going to start talking about the exact numbers there. I mean, it's a timing issue all the time in our energy business. How the delivery finally will be then recorded in our figures. No exception. There's no drama. I mean, how the month ends, then unfortunately, if it's not yet there, then it moves to the next month and so on.

Erkki Vesola: So we talk about at least as usual very much?

Jaakko Eskola: It's as usual. This is business as usual. This is lumpy business.

Erkki Vesola: Yes, I know. OK. Thanks.

Jaakko Eskola: Thank you.

Operator: And your next question comes from the line of Max Yates. Please ask your question.

Max Yates: Hi. Thank you. Just a quick follow up. So in the power business, if we go back sort of three or four years ago, there was a lot of commentary around emerging market currencies, the uncertainty that, that causes a lot of your emerging market customers. And it was at a time where quotations were still very good, but you were still unable to actually book the orders. So I just wanted to check whether some of the emerging market currency volatility that we're seeing at the moment is having any impact on customer conversations and sentiment. And I know the quotations still look good in the presentation, but that was also the case three, four years ago when we also heard about this. So any color you can give around any effect that that's having on customers or perhaps not would be helpful.

Jaakko Eskola: Thank you, Max. And no, we don't see it yet. And of course -- I mean, it depending on the development. Let's come back to that one. But today, no changes.

Javier Camino: We are present in so many countries that I mean, if you have one or two cases of countries that are overheated, I mean, then you don't see any effect on the business.

Jaakko Eskola: And in developing world, quite often, the more question is on financing, how to get the finance in place. Some of the process are so long anyway. I mean, you know that we are negotiating one process sometimes meant for many years. And of course, depending on the global situation, then it will be closed or not.

Max Yates: OK. And maybe just one follow-up. On El Salvador, are you able to give us sort of any updates as time goes on when that may fall? Are we thinking sort of back end of this year, or does it look more like 2019 now?

Jaakko Eskola: Javier?

Javier Camino: I mean, definitively. Wonderful question. All the signals, so there should be a contract that should happen still the end of this year. But I said, we have a big pipeline of projects. We have a very strong business going on, so we are pretty confident with all the targets for this year. And if it happens, will be great, but still, the figures of this year are going to be as good as expected, it happens.

Jaakko Eskola: So El Salvador is not in our minds.

Javier Camino: Yes, yes.

Jaakko Eskola: It will happen, but -- and it will be a great addition too.

Javier Camino: Exactly. If it happens this year, it's an upside. And that's (all).

Max Yates: OK. Thank you very much.

Jaakko Eskola: Thank you.

Operator: Thank you very much. And the next question comes from the line of Sven Weier. Please ask your question.

Sven Weier: Yes. Just two quick follow-ups, if I may. The first one is following up with Javier, because you sound as excited as ever, I have to say. But obviously, the obvious question is whether you leave now?

Jaakko Eskola: Thank you, Sven, for the question. And Javier, that's -- you answer.

Javier Camino: Should we take a private line? I mean, definitely, I'm super excited, Sven. I mean, super excited about the Wärtsilä business, Wärtsilä growth, our vision, how things are moving, the team we have, the business that is happening. So growth is going to continue. And indeed, as you have seen in the last three years, we have entered into solar business. We have entered into energy storage business. We have acquired a bigger software integration platform to integrate any assets, so we have created our smart energy division, going to 100% renewables.

And one of the keys in all this integration is that we are pretty technology agnostic in all of these new technologies like solar, wind or storage. And indeed, as you have seen, I'm moving to be the CEO of a new energy storage company that I'm sure that will be still very close to Wärtsilä and we will still work, and I will -- I mean, the good thing is that I'm not leaving. I'm going to stay several months here and the transition is going to be very smooth. And indeed, all the Wärtsilä vision, the Wärtsilä DNA is coming to that new company. So be aware of that.

Sven Weier: OK. Thank you for that. And the other follow-up was just a quick housekeeping again, sorry, on the scrubbers, because I appreciate the number of scrubbers, but I was more curious about the number of vessels, right? Because I guess the Alfa figure, 5,000, is a vessels figure, not a scrubbers figure. So the 108 retrofits, how many vessels are those approximately?

Jaakko Eskola: Do we -- no, we don't have the answer at the moment. Let's get back to that one, Sven. We need to dig deeper in.

Sven Weier: But it's fair to say that at least a bigger vessel will have several scrubbers, right?

Jaakko Eskola: Yes, depending on the vessel, yes. Yes. If it needs more power, then of course, you have to have more than one.

Sven Weier: OK. Thank you.

Jaakko Eskola: Thank you.

Operator: Thank you very much. And your next question comes from the line of Johan Eliason. Please ask your question.

Johan Eliason: Just a follow-up here on the Services, you said 5% organic growth in the first half and your target is 5% for the full year. Now with all these scrubbers coming, I mean, just this EUR 170 million order is sort of 7% of last year's turnover in the Service business. Do you think you will exceed this 5% organic growth target next year when all these installations are supposed to be done? And what will that in that case do to the average margin of the Service business?

Jaakko Eskola: Thank you. Now, I mean, questions I'm not going to answer exactly. Let's get back to next year development in January how the year looks like. But as said earlier, most of the retrofitting new orders, service orders will actually affect next year's numbers, not yet this year's numbers. And the margin levels, I think it's a good business today, whatever that means.

Marco Wirén: Yes.

Johan Eliason: OK. Thank you.

Jaakko Eskola: Thank you.

Operator: If you wish to ask a question, that is star and one on your telephone keypad.

Jaakko Eskola: All right. So no more questions. Thank you all. Very good questions, and have a nice summer. And let's see us then again in October. Thank you. Bye-bye.

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