Jaakko Eskola: Good morning, everyone, people here in the audience and also everybody in the lines. Welcome to Wärtsilä quarterly results presentation.

As usual, we have almost the whole board of management with me helping with the questions. Unfortunately, we don’t have our newest member of the board of management, the Chief Digital Officer Marco Ryan here today. He’s actually traveling U.S. meeting our partners – existing partners and new partners to develop the digital transformation in Wärtsilä.

I will start by a short presentation and then we of course have time for questions and answers. If you look at the third quarter this year, we actually did as we expected. We have been saying during the year that most of, the biggest part of, our deliveries will happen in quarter four and that has actually, of course, affected a lot of the numbers of the third quarter. Positive elements, I will start with positives and of course that’s – one of those is the order intake.

We are growing again in order intake numbers. That’s of course good for going forward. We had a drop in net sales compared to last year and that’s, as I said, basically based on the delivery schedules. There is some elements also in some lower margin transactions within the Energy Solutions which have affected to the changes also towards our profitability. Cash flow, very positive development and definitely if you compare it to last year and order book almost at the same level as last year.

If you look at order intake, almost double in Energy Solutions and now growth in Services. Marine market is very weak and here you can see already the effect in the order intake development this year. Net sales, every division
went down compared to last year, but again as expected. And if you look at the three divisions because of the low deliveries in both of the end markets, Services now represent 48 percent of Wärtsilä Group’s net sales. Book-to-bill ratio over one which is good.

And looking at the order book distribution, I would like to highlight here the delivery later than next year volume which is actually now, when you look at it, going further and further. And that’s purely based on the orders on the cruise vessels where a lot of cruise vessels have been ordered and the deliveries are in 2021, -22, -23, -24 probably nowadays already so the deliveries are going further and further. Operating result, again, this is the review period, the first nine months lower deliveries that has affected the operating result.

Moving on to the three divisions, the last four years, the order intake in Energy Solutions have been going down and now, this year, clearly we have seen the trend change. The last three quarters, every quarter from first, second, and third, order intake is larger than last year. Here, a lot of IPPs and still more than 50 percent oil. Gas is there and then gas should be the future fuel but we still see oil power plants ordered. If you look at these – the countries here, we see – in the third quarter we see and we have published the latest, yesterday, transactions in Argentina. We also pop list the one very important deal in U.S. and then you see some of – this is the review period you see some of the old transactions like in Europe, there was one big customer in Turkey. That’s why European numbers are so high. And the highlight of this quarter is definitely a 225 megawatt Smart Power Generation power plant to city of Denton in Texas.

It’s a very good example of the change energy mix – change in U.S. where customers and the communities are going more and more to renewables and the way how Wärtsilä can actually balance to create, to be a backup power plant, a power provider and provide a low emission solution to our customers. Our competitive edge in these power plants are the quick start and stop capability, high efficiency, and within these transaction also a fast delivery to win the contract.
This is a good example now going forward. This is one of those cases we will definitely use to educate our customers to move forward in the new ideas of moving more to renewable energy. Old numbers, our market share, 16 percent. We don’t have new numbers yet but looking at the deliveries and our order intake numbers we see, I’m confident that we will keep the market share or hopefully also increase that going forward.

Moving to marine, last month global vessel contracting only 20 vessels. Extremely low. And I think we have to go back to – back 30 years when we saw similar kind of numbers. If you take out merchant vessels and offshore, offshore has been down for many, many months already. You still see good development in cruise, ferries, and some special segments. So, if that continues, I wouldn’t call it a catastrophe yet. And let’s hope when you look at the Clarkson numbers again, the latest from September, there is a clear plan for the cruise and ferry industries to move on and order vessels.

If you look at our review period again, cruise and ferry has definitely taking the biggest part of the order intake. One of the highlights which you don’t see, these vessel orders or vessel contracting in any of the Clarkson numbers are the FSRUs. I mean, if it’s a conversion project. And we got one of those where they’re actually converting an existing LNG vessel to FSRU type of vessel and if you remember from our Capital Markets Day presentation, when there is an FSRU contract, the maximum value of the vessel contract could be as high almost as we can nowadays get from cruise vessels so these are important orders also going forward.

We have a strong position in marine engine market. It dropped now in the third quarter. There is one – basically one company who has gained some market share, it’s Caterpillar and their MAK engines for the larger engines. But we have highlighted many times that the 60 percent or almost 60 percent market share has been a little bit too high because it has been developed during the boom of the LNG vessels and getting closer to 50 percent would be the right number, probably more the right number.

Auxiliary engines market share has increased which is of course very good development remembering our existing facilities in China.
And then, moving to Services. Order intake third quarter as you remember, I mean if you look at the order intake, we have seen in third quarter bit growth. Sales in third quarter went a bit down. I think if you look at the review period again the ForEx impact was affecting to that one and of course there is a development in the offshore sector which has definitely affected our numbers.

Net sales distribution, agreements, and projects – now agreements, 15 percent, projects higher than last year. And if you look at the agreements, I’m very happy to see that the agreement numbers with our energy and marine customers are growing and that’s of course very important going forward.

We acquired during the third quarter a Finnish company Eniram which is part of our digital strategy. Eniram provides energy management solutions for the marine industry. One of their latest products called SkyLight which is a new generation fleet performance monitoring service has actually now been able to actually monitor our customers – to monitor their vessel performances going forward.

If you look at this product which is quite easy, actually, to install onboard of the ship and then our services capabilities to do it with 11,000 service people, it would actually give a tremendous possibilities for the digital businesses to grow. This product is also a new change in our way of billing our customers because it’s going to be subscription based. We’re not going to sell a box to our customers but we sell a service to our customer and we bill our customers then monthly.

Some numbers, some financials. Cash flow development during the review period, very good, and that has – or management of the working capital has definitely finally paid off and if you look at total inventories going down and there is a lot to do. We have been talking about engines in stock and selling those to our customers now finally and all that development is helping our working capital situation. Gearing below 0.2 and if you then look at the market outlook going forward, pretty much similar text what we told you during the Capital Markets Day.
There is an Energy Solutions, say a good trend. A lot countries and areas going more to renewable energy where there’s smart power generation definitely plays a good role. We have seen good developments in Americas, both in U.S. and in South America. You know that we signed a memorandum of understanding with PLN in Indonesia earlier. And that’s of course now developing good business in Asia.

Marine Solutions, outlook for the shipping and ship building markets remains very challenging. And there is an overcapacity. The weak earnings continue to limit the demand, specifically for merchant vessels and the oil price is effecting to the offshore sector. But there is a positive outlook in the cruise and ferry, and some special segments. So, that’s supporting our business.

Services, the outlook remains solid. If you look at our orders in the marine and energy sector, there is a lot of ships coming out from the shipyards and there’s a good development in different countries. So, that’s definitely supporting the Services going forward. And our customers has – as already shown in the numbers, our customers are more and more looking at long-term service contracts.

We gave a profit warning, we revised our guidance and we said it already at that time that it was mainly because of some of the expected orders in Energy Solutions going or being postponed a bit.

They haven’t disappeared anywhere. We are working, I think even today, with those transactions. But it has affected to the original guidance. And that’s why we said that the net sales will decline by around five percent and the profitability to be around 12 percent.

So, thank you for listening. Now we have the possibility to ask questions. And if we start first from the audience here, anybody willing to comment or ask questions? If not, then why don’t we take questions from the lines?

Operator: If you wish to ask a question on the telephone, please press “star” and “one” and wait for your name to be announced. If you wish to cancel that request, please press the “hash” key. So, “star” and “one” on your telephone if you
wish to ask a question. Your first question comes from the line of Antti Suttelin and Danske Bank. Please ask your question.

Antti Suttelin: Yes, thank you. So, looking into next year we can see that the order book is down a little bit, something like five percent perhaps. So, you need more orders in Q4 to fill the order book. How confident are you that you can get some strong energy orders in Q4?

Jaakko Eskola: Thank you, Antti. We are definitely very confident that we will get orders in Q4. How that will effect to the next year numbers, let us come back to that one later on. We still have quite a lot of work to do for this fourth quarter. And I’m not going to start guiding next year yet.

You can of course look at the markets, we need energy orders. And there’s a good momentum going on. The marine market is of course quite weak. And that’s a concern also for next year. But let’s see how energy market develops.

As I said, we are confident that we will get orders. Let’s see how many.

Antti Suttelin: Yes. And then still on the energy side, we have seen a multiyear trend of falling value per megawatts. And you said that this is mainly because of the smaller scope, not price pressure. Is this something that you really confirmed that it’s not because of price pressure? And how long could this falling trend persist?

Jaakko Eskola: We have had price pressures earlier on. But I have to say that this year, the trend has also changed. And why don’t I let Javier to say a little bit more about the trend this year. What have you seen? Please, Javier.

Javier Cavada: Thank you, Jaakko. Indeed, together with the development of order intake, we feel that this is ramping up. And we see growth compare to last year in every quarter and in the last four quarters. Also the margin and the value, we have been able to sell to our customers is improving. And that’s the improved sentiment in energy markets we mention in the report. So, we see this getting better but again, by selling by value not by selling equipment. So, it’s indeed the price per megawatt is influenced by when we sell engineering plus equipment, or we sell engineering plus equipment plus turnkey, EPC. And
this has been the factor affecting these figures. But looking forward, it is improving clearly.

Antti Suttelin: OK, thank you. And then finally on the marine side, is the best behind in terms of cruise ordering. We can see that it has been very strong this year. But is this still continuing or is the best behind so to say?

Jaakko Eskola: As far as we know, it should continue. But Roger just landed from China and has been also talking with our Asian customers. So, what do you say about cruise now going forward?

Roger Holm: Yes, thank you, Jaakko. Yes, the estimate is that this year we’ll see ordered about 30 cruise vessels. And forecast is about the same next year. So, there is still forecasting that it will develop well. As we have said before, the fact is of course that the slots are available quite far in the future.

So the ordering will continue from 2021, 2022, and going forward. But from vessel contracting point of view, we see no change.

Jaakko Eskola: And I…

Antti Suttelin: OK.

Jaakko Eskola: …if I continue, there is a – I mean, like elements, Genting who wanted to go cruise shipping more and more, they bought a shipyard in Europe where they are building ships. So, that helped their situation to get their ships out. Carnival is ordering in China and…

Roger Holm: Yes, we have the first cruise vessel orders now in China and a lot of activities around cruise in China because China is going to be the fast growing cruise market as such. And very much push from the Chinese side also for locally produces cruise vessels. So, I think we will hear much more from cruise (we selling) in China going forward.

Antti Suttelin: All right, thank you.

Operator: Thank you. Your next question comes from the line of Manu Rimpelä. Please as your question.
Manu Rimpelä: Good morning. My first question would be on the Services business. So, would you be able to quantify the currency impact related to in sales and orders, and related to debt. I think you said at the Capital Markets Day that we should not look at the service order intake as a guide for the health of the services business but instead look at the sales. And now the sales were down four percent.

And just trying to understand that momentum that seems to be failing. And do you expect to be able to grow that service business in 2017?

Jaakko Eskola: Thank you, Manu. Yes, we will. But let me get Pierpaolo here to a little bit talk about the ForEx impact and are you going to grow also next year.

Pierpaolo Barbone: Thank you, Jaakko, of course. I would like first of all to highlight that if you analyze the top-line, the delta sales related to offshore plus the impact of the exchange rate year to date is around a hundred million. So, I claim that we are growing also today. We are growing in other business, in other areas. We are growing project, in 2-stroke, in classics, and so on. That has been for the moment the non-visible growth that we have in our top-line let’s say.

And for the next years, we believe that we have a strong pipeline. We are negotiating a number of contracting on marine side, on power plant side. We are extremely positive on LNG development for contract. Nowadays we have reached the highest coverage in terms of installed base, 14 percent.

And this is – we have broken the 10 percent. That was like a myth years ago for the marine side. So, 10 percent of our install base is covered by agreement. And 24 percent on the power plants. And having, in terms of absolute value, 26 gigawatt installed base covered by agreement that is the all-time high. So, I think there are positive perspectives.

Of course, on the contracts, what it is necessity is that not only we have the contracts that we are covering more and more installation with contracts, but that the power plants and the installation are running. And of course the change, in terms of profile, the profile of the operation can influence the net sales. But the fact that you are covering your install base with long-term
agreement gives more predictability, capability to plan, better efficiency in utilization of stock and assets and human resources globally.

Jaakko Eskola: And sales negative ForEx impact in sales was 41 million. And in order intake it was 51.

Manu Rimpelä: OK, thank you. And then second question would be on the marine business. So, the backlog was down a couple hundred million in the marine business from the second quarter. But would you be able to split the share of cruise in that – because obviously that is very relevant given the orders you have taken in cruise today if the delivery is 2020, beyond. So, just trying to understand the potential backlog you have at the moment with 2017 delivery.

Jaakko Eskola: I don’t have the numbers of the backlog divided. Not with me, here. I mean we need to get back to you with the exact numbers of the existing order book. You can see it from the presentation of course what is the order intake from the order book. Roger or anybody remember?

Roger Holm: I don’t have the exact figures, but as you have seen during this year we have had a big share of cruise orders. And as you also can see on the total overall order book development, quite many of those have gone beyond 2017.

Jaakko Eskola: 26 percent of the order book is cruise and ferries. Thank you, Marco.

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

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

Austin Earl: Hi, good morning everyone. I have three questions if I may. The first is could I just clarify, the point you’re making on the service, did you say that the currency impact on revenues was 41 million negative?

Jaakko Eskola: Yes.

Austin Earl: And on orders, 51 million negative?

Jaakko Eskola: Yes, that’s right.
Austin Earl: So, does that imply that that service, orders X currency were – service sales, I should say – currency, we’re basically flat year on year in the third quarter?

Pierpaolo Barbone: Year-to-date is plus 2 percent.

Jaakko Eskola: Year-to-date.

Austin Earl: OK. And would you – is it possible to explain, because I thought in the second quarter that you were saying you felt that this revenues were going to improve based on the visibility that you had. Am I mistaken in that, or (there) anything sort of changed? Or is that the point you’re making on the – some of the areas of weakness?

Pierpaolo Barbone: Shall I go?

Jaakko Eskola: Please.

Pierpaolo Barbone: What we’ve said is that, let’s say, the transactional business impact is significant on our sales top line. So that the long-terms agreement are given a good perspective on the trend for the next years. But the visibility related to the transactional business is limited.

So, let’s say, it is extremely important to have a good transactional business. And this condition can be effected by market condition that are changes only. And in particular…

Austin Earl: But I just think…

Pierpaolo Barbone: In particular, this has been very true for the offshore market.

Austin Earl: OK. I just had two further questions. One was just, you referred to a comment about some low margin energy transactions. Could you just explain what you meant by that in the presentation?

Jaakko Eskola: Yes. We – if you look at our order book, the orders we have got earlier, years behind, we have had lower margin orders. Which has, again, affected to the result when the deliveries have been in the third quarter. So there has been
low margin business in Energy Solutions and that’s why when we referred earlier today in one of the questions that the margins are getting better, that’s now happening in the market.

Austin Earl: OK, great. And the final question, just regarding the machines and energy that you have in inventory. Have answered – what you’re saying is the working capital improvement – you’ve been able to reduce working capital despite the fact that these machines are still in the inventory?

Jaakko Eskola: No, we have sold a lot of engines from our inventory. That has been one part of the working capital management, but every division is looking at the working capital today. So they are all improving. But mainly in Energy Solutions, of course, it has been the case of selling stock engines.

Austin Earl: But – so perhaps I’m confused, maybe I don’t have a good enough understanding of your business. But I thought that the – that (they would) – that these machines had not been sold and that you were going to sell them in 2017. Or am I confused on that?

Jaakko Eskola: No. I mean, we have had in our stock – today, we don’t manufacture any engines into our stock. We sell it if we have a costumer and we build it when we have a contract with our customers. But in history, we had been having cases where we have ended having engines in our stock.

And during this year we have communicated quite well that there has been fast track deals. Customers who have been willing to buy engines and power plants in a very, very fast delivery. And that has been possible because we have had the engines in our stock. And that stock is now reducing. We have been quite well able to sell the engines from the stock.

Austin Earl: OK, great. Thank you very much for your help.

Jaakko Eskola: Thank you.

Operator: Thank you. Your next question comes from the line of Peter Testa of One Investments. Please ask your question.
Peter Testa: Hi and thanks very much. Just one question on – well, I have three questions. The first one on service to understand this FX point. The EUR41 million, that was the year-to-date number or isolated Q3 number?

Jaakko Eskola: That was year-to-date.

Peter Testa: OK. And given the relative stability of the dollar/euro, can you just highlight which currencies are causing this bigger swing?

Jaakko Eskola: It was sterling and…

Pierpaolo Barbone: Krone.

Jaakko Eskola: … Norwegian Krone and some African currencies, if I remember right.

Peter Testa: Right, OK. Thank you. And on the marine side, when you look at the backlog, can you give us some understanding of how the timing of that backlog for delivery, say over the next 12 months, is different today versus a year ago?

Jaakko Eskola: Has it changed from year go? Roger, what would you say? Probably if you look back further years it has probably changed.

Roger Holm: And as you have seen on the order intake development, from that angle it has changed. That’s one. And then we have the cruise development, that other angle that has changed.

Peter Testa: Yes.

Roger Holm: We will not yet guide anything on the – as Jaakko said, on next year deliverables. We will still need to see the development both during quarter four as well as the first part of next year to see how we can then perform during next year.

Peter Testa: OK. But maybe just to understand that cruise point, cruise ships tend to be ordered with a couple years visibility, some cases even 3 or 4. Would that be typically as to that you’ve received the order when the ship is placed and
therefore that also is your experience? Or would there be some reason that’s different for you?

Roger Holm: I think we live in a situation now that we haven’t really seen before, because if you order a cruise vessel today, you might get delivery 2022 potentially.

Peter Testa: Yes.

Roger Holm: And this means that also with the slightly different customer behavior to some extent, some of our customers order with same behavior has before and some take a bit more time in their ordering of equipment. So this is also is changing a bit how the market behaviors are developing.

Jaakko Eskola: And Royal Caribbean cruise line order two ships from Turku shipyards with LNG capability and fuel cells…

Roger Holm: Right.

Jaakko Eskola: … and they are just designing the ships at the moment. So delivery should be 2024.

Peter Testa: Right. OK, so you’re saying on that that your order of – your equipment on the cruise vessel, some of it may come at time the cruise vessel’s placed at the yard, but some might be coming later now?

Roger Holm: Correct.

Peter Testa: OK, thank you. And last question is just on power plants. You made a point when answering the question on price per megawatt that there is more of a turnkey EPC mix, maybe, inside power plant if I understood correctly.

And I was wondering if you could just give some view on how much that mix is changing and how we should therefore try to interpret that when looking at orders and backlog on power plant? And the last bit was you mentioned there was a fast delivery in this division this year. I was wondering if you could give a quantification of the first 9 months, how much of the sales were related to delivery?
Jaakko Eskola: If you comment first.

Javier Cavada: Absolutely. So, I mean, for the question about the price per megawatt, in deed I said before, the mix is affecting totally the price per megawatt. And you know that our offering is also changing, is widening. I mean, we talk about hybrid solutions, we talk about integration of systems solver.

Sometimes the complexity of our plans and projects and very different and the megawatts remain the same. So it’s not a figure that is guiding the growth of the business. So in that sense, in – same as in Services, order intake is not to be followed. In Energy Solutions is the order intake which is telling you where we are going in that sense. So the price per megawatt is an indicator. But if you really don’t know what is the scope of its project, then you are going to be mislead – mislead and confused.

And for that reason order intake is the relevant and always follow the megawatts and the type of fuel, but depending on the country and availability of fuels and also the availability – or the need of our own global EPC competences, buyers from north to south and east to west in that sense.

Peter Testa: Yes, OK.

Javier Cavada: And for the second question about the fast track, I mean we have had, as Jaakko mentioned, a big development that our inventory has reduced quite considerably. And we are being able to deliver big part and I would say that we have a healthy situation in our stock of engines today along this year and next year we will continue with fast track.

And when we talk about fast track, we are moving from emptying the stock of engines that we have sold in the past, plus situation in which our factories are being flexible and are being able to deliver much faster.

And deliver in a quicker way, so that we are even able to beat any competition in terms of delivery time for power plant. And that is what we are talking fast tracks. And going forward, next year we will continue increasing the flexibility in the factories.
Peter Testa: OK. But are you able to quantify the sales driven by reducing the engine inventory through fast track orders as was just described by…?

Javier Cavada: I cannot give that figure. I mean, it depends of countries and different projects. I mean, we can call fast track, medium track and long track (so it’s)…

Peter Testa: OK.

Javier Cavada: …not easy to say, “Category A, Category B.”, depends on also changes along the lifetime of the project, so…

Peter Testa: OK. All right, thank you.

Operator: Thank you. You have a question from Manu Rimpelä. Please ask your questions. Manu Rimpelä, please ask your question.

Manu Rimpelä: OK. Hi, sorry. Just to follow up – just to be very clear, so can you just give us the Service’s organic order and sales growth by quarter? Because it will be relevant to understand organic development trend. So it was EUR41 in sales for year-to-date, but what was it on quarterly basis?

Jaakko Eskola: EUR41 was year-to-date sales and EUR51 was the order intake. Quarterly, I don’t have the number here.

This quarter was EUR8, sales…

Manu Rimpelä: EUR8 million negative.

Jaakko Eskola: Yes. And EUR16 orders.

Manu Rimpelä: OK, thank you.

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

Peter Murdoch: Hi, sorry. It’s Peter Murdoch instead of Ben Maslen, sorry. Just two questions, if I can. One is coming back to energy in relation to what Austin
asked. You said that you were working off these energy orders that were booked on lower prices. So I just wanted to understand – and that the fact that had changed however, this year in bookings wise. So I just wanted to understand, for 2017 is the margin or the backlog in energy basically at a better point now compared to where it was last year?

So that’s question one. And then question two, sorry, is just cruise. So cruise now is 37 percent of orders today. As you can see what you’ve list. As a percent of sales, what is cruise for that marine business?

Jaakko Eskola: First, regarding the energy I don’t want to talk about next year at the moment and what is going to be the mix of energy margins next year. There’s a lot of transactions we are still looking after and where the deliveries will be next year.

So I cannot comment on that number. The marine, I don’t – I mean, that number of cruise sales so far – nobody can help me. We don’t have the number at the moment here, sorry.

Peter Murdoch: OK, but it’s safe to assume that orders are tracking well ahead of sales in that business?

Jaakko Eskola: Yes, correct.

Peter Murdoch: OK. All right, thank you.

Operator: Thank you. Your next question comes from the line of Johan Eliason Kepler Cheuvreux, please ask your question

Johan Eliason: Yes, hi. Just on this cruise order development, is there a time difference between the type of orders you would be getting in the cruise segment? (I.e.) you’re original sort of engine propulsion offering and now the automation with the MSI acquisition. Is MSI talking orders earlier – or later, rather, in the cruise segment?

Jaakko Eskola: There is – I mean, depending on the customer behavior – I mean there are cases where the customer wants to buy a solution – a integrated solution. And
that would then include engines, propulsion, navigation, electrical side, probably environmental products and pumps and so on. And if we are able to sell one system – one integrated system, then of course the order is placed at that moment.

But if it goes to splitting the orders, I think engines comes first, then comes probably navigation, electrical side. Propulsion is quite late. Environmental price – if the customer buys a scrubber, they probably buy it at the same time as the engine because they want the scrubber to be fitted, to get with the engine.

So it – then it starts to be differences. And – but, of course, our aim is try to negotiate a – an integrated package because we can help the CPR also on putting the project together and delivering it finally to the customer. So it depends.

Johan Eliason: I think I've seen sort of one announcement that you're saying is an integrated order, is that correct or have you already received several since that decision …

Jaakko Eskola: If you go back in history, there has been different cases, more than one and so on. And now, there's a lot of ships ordered which we haven’t seen any -- any final decision yet. So let's see what happens to those. So we are getting all cases.

Johan Eliason: OK and then finally on this Indonesia memorandum of understanding, are you progressing according to plan on that and do you have plans to sign it soon?

Jaakko Eskola: Yes we are -- yes of course one could always ask what is the plan. We might have had a faster plan in our minds and then we wouldn’t have probably gone with the profit warning. But they are progressing, Javier Cavada, the head of Energy Solutions is smiling here so that is -- that -- was it yesterday he came back from Indonesia so they are progressing and let's hope we will end with good results.

Johan Eliason: And then finally, could you update me on this El Salvador announcement last year? What's happening on that front?
Jaakko Eskola: Its also progressing but very slowly hasn’t disappeared anywhere. I would guess we would sign it next year, first half, around.

Jaakko Eskola: Please, Javier Cavada would like to explain a little bit more about it…

Javier Cavada: If I may, as Jaakko mentioned, the project is progressing. I mean if El Salvador government is following it up, our customer is following it up, we are in constant contact with them. But this -- I mean there is a delay from the governmental approval etc. Today's plan is very early next year to have it ready but we have been seeing this slipping constantly.

So with the project is alive that’s good news and is with our technology that’s also the good news for the customer and for us. So -- but about the timing as Jaakko will mention early next year should be adaptive to today's situation.

Johan Eliason: OK thank you very much.

Jaakko Eskola: Thank you.

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

Sean McLoughlin: Good morning. I just wanted to come back to the fast track, because I know your inventories are actually flat sequentially. So where else have you built inventories to offset your fast track deliveries in Q3? You've also mentioned that you want to beat competition with fast track orders.

So again, how do I square that with the current inventory levels and what -- what is the kind of realistic contribution from fast track orders going forward if you don’t intend to build further inventories of engines, thank you.

Jaakko Eskola: Now, first of all the inventory is not yet flat or its not -- it hasn’t yet disappeared anywhere -- I mean it has come down but it hasn’t disappeared yet. What Javier mentioned with going forward also to be able to deliver fast deliveries, our engine factories have also developed ways to build the engines faster than before.
So we are not going to as I said, we are not going to build engines into the stock to be there, waiting for a customer. We always have to have a customer, that's the only way how to manage our working capital. The reason why we had those engines in stock wasn't a decision to build into stock. But it customers have disappeared or went down or some other reasons or somebody has cancelled a deal.

So it's a totally different reason, we don’t have a policy of building any of our products. But our facilities are more flexible today. They can build faster. I mean we have been talking a lot about a program we have in Wärtsilä which is already up more than a year operational excellency. And that has enabled our factories to work more efficiently and build faster. Delivery times are shorter nowadays.

Sean McLoughlin: Good thank you.

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

Tomi Railo: Hi this is Tomi from SEB. Can you give an update on the savings, how much did you reach savings for the third quarter?

Jaakko Eskola: The program we had originally was last year restructuring all alignment plan and this year alignment plan. And together, the original savings was 90 million and the cost related to those savings was 70 - 80 million Euros.

And so far, I think we have got 60 million -- or we will get 60 million by the end of this year, 37 by the end of September and seven of those was in -15.

Tomi Railo: And then on the joint venture income, looked a little bit low for the third quarter, do you have an outlook for the fourth quarter? Is it as usual, flattish or moving up?

Jaakko Eskola: It's good to remember that the joint ventures of the engine factories, one in Korea and the two ones in -- or mainly we have ha) in our numbers on of the joint ventures in Shanghai producing engines.
They -- the numbers have been high because of the LNG carrier orders and those haven't -- we haven’t had for many, many months. So that's why the order intake numbers in Korea has been extremely low. And if you look at the market, we haven’t seen any LNG carrier or one or two orders so it's not going to be high.

Tomi Railo: And maybe still coming back for the savings, what's the current thinking about possible further -- first of course the three modeling actions?

Jaakko Eskola: We need to be flexible and we need to look at all our business lines, first of all, all the divisions, all the business lines within the divisions to perform. And the structure today is very good where business lines are looking at their profitabilities and they are very transparent.

So they are doing whatever they can to be more efficient. You're not going to go out with any major announcement of anything but every businesses need to look at the performance. So they are adjusting day by day, month by month and quarter by quarter.

Tomi Railo: Finally ...

Jaakko Eskola: Now, now I didn’t get that question, the line…

Tomi Railo: Tax rate, tax rate for the full year.

Jaakko Eskola: Marco, would you like to comment on the tax situation and the tax rate?

Marco Wirén: Yes our estimate is that tax rate will be about 25 percent for the full year.

Tomi Railo: Thank you.

Operator: Thank you. Your next question comes from the line of Artem Tokarenko with Credit Suisse. Please ask your question.

Artem Tokarenko: Good morning, thank you very much for taking my question. Your full year (guidance) implies quite a nice step up in Q4 margin year over year. Could you please tell us some (kind of) what gives you confidence in that?
Jaakko Eskola: First of all, we have an order book which we definitely -- we are very much relying on to deliver this year. We also need to sell more and mainly it of course, comes from services. And how their service development is going on, how the customer reactions have been so far. We are quite confident that we will deliver it. It's going to be higher than last year but we will do it.

Artem Tokarenko: Thank you very much, thank you.

Jaakko Eskola: Thank you.

Operator: Thank you. Your next question comes from the line of Tom Skogman with Carnegie. Please ask.

Tom Skogman: Yes thank you. So I wonder about the pricing in this cruise related orders. You have exceptionally high market shares in this segment and now the delivery turns are exceptionally long which means that you need to get some kind of risk reward for signing this kind of order. So will we see exceptionally high margins from this segment going ahead?

Jaakko Eskola: I'm not promising anything like that, but Roger do you want to highlight a little bit what kind of a business we have with cruise? We don't publish the non-margins to our customers but if you tell more about what we are doing.

Roger Holm: Yes I would put it from this angle, of course cruise is a very good segment at the moment but also due to the fact that many other segments are down, that doesn’t mean that the competition would be easy within cruise at the moment. So I would say that we see all is tough competition in cruise and we don’t expect any change to that. It has been the same also in the history so no change to the competition level.

Jaakko Eskola: But I would add to the cruise business also that within cruise we and our customers are also looking a lot to the total cost of ownership. So they also want to understand what does it mean to operate and run the engine. So any of the products and then the services comes into the play and so it's a combination of two divisions also working together and providing the best solution to the life of the agreement.
Roger Holm: For sure, looking at cruise that's one of the segments where the efficiency development is a top priority and its for us -- for also one of the segments that helps us develop the most because we do it together with our customers and very much together with services looking at that all life cycle.

Pierpaolo Barbone: And it is also one of the reasons why we have acquired the Eniram recently.

Jaakko Eskola: And Eniram is a good example of providing something valuated to our customers.

Tom Skogman: All right and then in Energy Solutions, when do you expect the margins to bottom out only to take a turning rolling prospect just on the back I'd said that pricing has been weak but that it has improved. Now, when will the margin bottom out in deliveries?

Jaakko Eskola: Tom let's get back to that one also now, when we talk about next year further. We need to see how the market is developing, how we get the new deals and then we can probably talk more about also the sentiment and not of course, telling exactly what the margins are but how actually its developing.

Tom Skogman: OK and then finally, I wonder if you could clarify a bit this profit warning I think -- at least my understanding was that you had almost reserved some engines in inventory for these orders that have not taken place so far. But now, you've said that basically these engines have already been delivered from the inventories. It's just a bit confusing to understand what's really going on because if you have delivered them, you should not have had the profit warning.

Jaakko Eskola: No, no, no the -- the profit warning was really on some of the fast track deliveries. We were expecting and we are still expecting. At the same time, we have sold some of the other customers already this year -- I mean power plants where we can use the engines from the stock.

So is all the time customer discussions and some of them -- some of the deals are fast tracks some of them are related to building new engines at the same time in our factories.
Tom Skogman: All right thank you.

Jaakko Eskola: Thank you.

Operator: Thank you, as a reminder, star and one if you did wish to ask a question. There are no further questions coming through on the line, sir.

Jaakko Eskola: And any more from the audience? No? All right so thank you, thank you very much for the questions and listening to our story. Let's see again in January. Thank you.

Operator: Thank you. That does conclude this conference for today. Thank you for participating. You may all disconnect.

END