

WÄRTSILÄ CORPORATION

Moderator: Jaakko Eskola

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Operator: This is Conference # 6598735.

Jaakko Eskola: Good morning everyone and welcome to Wärtsilä 2017 Result Presentation. Here in Helsinki, I have almost the whole Board of Management with me and on the lines, we have the 2 missing members, Marco Ryan and Pierpaolo Barbone, and of course, we have Natalia Valtasaari ...

Pierpaolo Barbone: Good morning, everyone.

Jaakko Eskola: Good morning, Pierpa. And of course, we have Natalia Valtasaari here, Head of our Investor & Media Relations. To start with, I want to have a short recap to 2017. The order intake growth was really the highlight of last year and it's really reflecting the favorable market trends and interest in service partnerships.

We established our energy and marine smart visions and those visions definitely illustrate our role in the ongoing industry transformation. Smart technology and new business models will be at the core of our long-term value creation.

If you look at key financials, order intake really, growth was 15 percent, net sales 3 percent in 2017, now the book to bill is 1.15, one of the highest numbers we have ever had. Result: EUR 590 million, 12 percent, almost the same as previous year. Earnings per share EUR 1.95.

Cash flow a bit lower than previously and I will come back to that number then later on. Order book 8 percent higher than in the previous year. The Board's proposal for dividend is EUR 1.38 and again it will be paid in 2 installments. And then one additional (Inaudible) at this stage is that the board also proposes a share split so that 2 new shares are issued for each share.

Looking at the growth of the order intake, definitely, on the fourth quarter, you see the favorable movement in the marine side, 42 percent order intake growth in Marine Solutions, which is also very good to see is that the Services growth on the order intake side was 14 percent. Shows how we develop our relationship and partnerships with our customers.

Energy Solutions 2016 fourth quarter, order intake was EUR 501 million and they ended up exactly at the same number on last year the last quarter. I think it's a wonderful number and -- but it -- there wasn't any growth, but it's still good development also during the whole year in Energy Solutions.

Solid full-year sales development, Services on the fourth quarter grew 3 percent; marine, as we have expected and also talked during the year, went down and it's of course because of the previous lower order intake developments and Energy on the fourth quarter, 3 percent, but if you look at the whole year on energy, of course, the growth was much higher.

So today or at the end of last year, energy is now bigger than marine. You have seen that development going during different, different quarters, but now energy is a bit bigger and lets see how those divisions develop also going forward.

Book-to-bill, very high -- at a high level and order book distribution, it's good to see the delivery, the bar at the delivery after next year also that's now developing in a favorable way.

This year, delivery is a bit higher than at the same point last year, but as we have stated, the market trends are moving in a favorable way and we are not worried about the development of this year at all. Operating result in line with previous years and then moving on to the different divisions.

Services, you can clearly see the development now on the agreements and agreement side, which is an area we have been putting a lot of our emphasis and creating stronger relationships with our customers.

Segments, cruise and ferry are bit higher, of course, more and more cruise ships are coming into the market and we have had a very strong position what comes to the equipment, so of course, services is also developing accordingly.

And here, the slide of the installed base covered by service agreements, marine now the growth you can see during last year, but also energy finally taking a bigger role with our customers.

One example of our services work during last year was a retrofit --- (Inaudible) those retrofit businesses belong to our services division, a retrofit of the world's first energy storage solution onboard a very -- one of the largest offshore supply vessels called North Sea Giant and this is really the trend what comes to the existing fleets in different segments where our customers are looking at the energy consumptions, how to reduce that one, how to lower in that way also the operating cost, improve definitely the environmental footprint.

And with the storage solutions, you definitely increase also redundancy and the responsiveness. So excellent example of what's happening in offshore sector at the same time when there is no new vessel ordering in that segment.

Energy Solutions, I think the picture, that's the 20-megawatt energy storage in Illinois in U.S. One of the examples of Wärtsilä's new trend and where we also establish solutions to our customers. Quotation activity at the high level, you see gas is again growing segment and the order intake during last year. A lot of business in utilities this review period and today oil and gases is (50-50).

Of course, the long-term trend is that the gas is taking more and more space. If you look at it geographically, you see now the Asia importance, quite a high increase, countries like Indonesia, Bangladesh and Myanmar and so on.

Couple of examples, stories about energy market. Last year, we got an order from Tucson in Arizona, a 200-megawatt gas plant, which is definitely looking at challenges our customers have when they add more and more renewable energy and they need solutions for those. We had a 52-megawatt solar plant in Jordan.

Last year, we also had almost 100 megawatt in Nigeria. So the solar plant development is also going according to our strategy. And then after the acquisition of Greensmith software has been also introduced to different customer segments and one of an example was the software in Azores where they are combining different kind of energy sources together.

Market share, a bit increase in the area where we work and then moving on to marine and according to the marine -- smart marine vision, we are looking today more and more on the ecosystem, it's not only the product or the one solution or the ship's performance but rather how different fleets operate and act when they go from point A to B.

First, a couple of words about the market, vessel contracting in December went up. I think it was over 100, 109, probably was the latest number of course changing a bit every week, but the trend is visible.

Now merchant is again moving to higher numbers. Our order intake developed accordingly, you still see cruise orders, 27 percent of the orders, but you have traditional merchant there also 23 percent gas carriers, FSRUs 25 percent and at the same time, I think we have many times addressed the offshore only 3 percent.

Today, the order book has developed so that cruise and ferry and it's good to remember cruise and ferry both together 33 percent and the second biggest is today gas carriers. And that gas carrier includes the FSRUs also. So that's the definition.

Market position, no big changes, medium-speed main engine is a bit up. Again, auxiliary engines 10 percent, so a bit down. And great story at the end of the quarter, at the end of the year, we signed a contract with TEEKAY for 4 new type of shuttle tankers. They will be built in Samsung in Korea and it actually demonstrates packets of almost all Wärtsilä solutions, looking at the most economic and ecological performance for the vessel.

It also will have Eniram's vessel performance management system really looking at the operations and at the same time for us to be able to look at the

performance, look at the analytics and of course, analyze the data when the ships are sailing.

Moving on the last slides about financial cash flow a bit lower than last year, we have been building working capital and one item has also been increasing our receivables. No big drama there, but at least it was good to see that the fourth quarter development was getting better than previously and we ended up at this level.

And here you can see also the working capital development during the year. Gearing, 0.10 at the moment and asset here you see also EPS EUR 1.95 and the proposal for the dividend EUR 1.38.

And lastly, the prospects for this year, we moved the prospect in Services from solid to good and is actually up, so good is better than solid, if you don't remember. And then it's definitely -- was a move because our service development with our customers look better today than they looked previously. Energy still good, it's developing in a good way and marine, the same solid with the development of the market.

With these words, I will end up here and let's open the lines for questions-and-answers, but if we could start here with the audience if anybody has any questions here in Helsinki. No questions here in Helsinki, but then we can take the questions on the lines, please?

Operator: Thank you. Ladies and gentlemen, if you wish to ask questions on the phone, please press the star and one on your telephone keypad and wait for your name to be announced.

Once again, if you have questions on the telephone, star and one on your telephone keypad. If you wish to cancel your request, just press the hash key. Thank you.

Your first question comes from the line of Jonathan Hanks.

Jonathan Lloyd Hanks: Just on your marine guidance, I suppose given the improving contracting data, some of us might have expected (that) to have been upgraded

as well alongside Services. It would be great if you could run through it in a little bit more detail why you kept that as solid? Thanks.

Jaakko Eskola: Thank you for the question, and if I let Roger Holm, the Head of marine to open a little bit more about the market, which would then, of course, explain why we still keep it as a solid but please Roger.

Roger Holm: Thank you, Jaakko and thank you for the question. I think we need to look at the mix of the market. In general, as we have said before, we are looking at an improved sentiment in the market starting from fairly low levels historically.

The mix for this year, we see in the market still we see solid development from cruise market, which is good for our order intake. We see in general positive development on gas carriers and merchant also in general and looking at the starting point we have I would say we have a positive starting point for the year with an order book that is a good base both for this year and for the long-term development.

So we look positively on the order intake to come in for this year and the starting point is good, and therefore the solid statement for the year.

Jaakko Eskola: And it's not good because it's -- there are still certain segments like offshore not yet developing.

Roger Holm: We have no major signs of offshore, we see some activities on production side, that's the segment that will start moving first, but we don't expect major development still this year in offshore and if we look historically that's the segment where we have had major sales if we go a few years back.

For sure, offshore will come back, but our estimate is that from an order intake point of view, it will probably happen only 1 year from now.

Jaakko Eskola: And I think it's good to remember when we look at the different segments if like, merchant. Merchant is now developing favorably depending on the merchant vessel. Sometimes we have good solutions, sometimes we probably don't have.

Roger Holm: And it goes from -- I would like to mention still to add-on on the TEEKAY deal because that's really an extraordinary deal in many aspect because it's going from a 2-stroke solution to a full 4-stroke diesel-electric solution.

So really in the sweet spot of our offering with DF engines, hybrid power management and gas technologies on the same vessel where we take down emissions with up to 40 percent for these vessels. So the offering to the market for TEEKAY is going to change a lot.

Having said that, that's one extreme on the merchant segment. Then we have several segments in merchant where our offering is not at all in the sweet spot, but I would say that in this shuttle tanker segment, it has not been before either, but we have shown that we can change the segment and show something totally different.

Jonathan Lloyd Hanks: Great, thank you very much and then just one follow-up If I may. If I look at the backlog of your deliveries in 2018(Inaudible) it's flat year-on-year despite pretty good order growth. I'm just wondering what's driving that kind of slowing backlog conversion? Thanks.

Jaakko Eskola: Partly it's of course, if you look at our ordering and order intake, partly we have had several orders in the cruise segment and those deliveries are for many years. If you order a cruise ship, big cruise ship today, probably it will be -- the ship will be delivered 2024 or even 2025.

If you order a smaller one, you probably get it a bit earlier. So that's, of course, putting it in a longer period. At the same time, if you look at the market today, we still have time to get orders and book orders for deliveries in both in marine and energy for delivery this year.

Services, it's good to remember that the order book covers of the sales roughly 30 percent, and so it's a transactional business and the transactional business is definitely based on how that develops, how the market develops. If the market now develops better, then there should be more transactional business also coming during the year.

Operator: Your next question comes from the line of Sven Weier from UBS.

Sven Weier: Couple of questions, please. The first one is on Rolls Royce, they obviously announced a strategic review of the marine business and I obviously remember the situation when they tried to buy you and your commentary regarding that this would not be really beneficial for Wärtsilä.

I was just really looking for an update, how you look at the situation today, if it's still something you think wouldn't really add any incremental value to the Wärtsilä business, that would be my first question, please.

Jaakko Eskola: Thank you, Sven, and if you now look at our strategy and first of all, we established as I said to start with our visions for the marine and energy and those are definitely putting forward our strategy together and if we see any interesting player in the market who would fit well to our strategy and improve that one, we would definitely look at it. So we need to look at what's available there and what is going to be their final plan.

Sven Weier: OK, so that doesn't sound like a denial on that. I was just wondering, I mean if I look at their portfolio, there is a lot of things you do and there is not much incremental you gain from it, it's a loss-making business. So I would have thought that the mismatch is basically too big.

OK, so let's carry on with the second question then maybe and that was just on your traditional merchant order intake in the fourth quarter, if I look at it sequentially over Q3, it has basically tripled, I guess that's not just the TEEKAY order, if you also because Alfa Laval mentioned that yesterday there was a bit of a rush on the orders on the tanker side in Q4 with an unusually short lead time between the yard and then did you also already see that, that's benefiting your Q4 order intake?

Jaakko Eskola: Sven, I ask Roger to answer that one, it's good to remember the products of Alfa Laval compared to products of ours, and Alfa has, of course, I think they even commented about pumps and heat exchangers and so on and we have a little bit different products, different lead times, but Roger, could you open up a little bit about the merchant?

Roger Holm: And of course, as you mentioned already the TEEKAY deal which was coming in both in December and January with around EUR 110 million for us have a big impact on the Q4 figures for the merchant segment.

The rest I would say is general sentiment improvement and also to comment then on the scrubber development, which we mentioned already last quarter, we see clearly a clear increase in scrubber demand in the market. It has happened since quarter 2 last year and it's still continuing.

So we had 77 scrubber orders last year and a good development over the year and we see it's continuing also in quarter 1 this year. And that's then both a mix of new build and retrofits. And retrofits clearly increasing, it starts to be in the merchant segment, start to be in many places, it's a default to put a scrubber in and then we start to see also fairly big increases on the retrofits.

Sven Weier: So, you didn't really see that rush on the pumping side in Q4?

Roger Holm: No.

Sven Weier: OK, so that's something still to come. And could you give us an update on the ballast water approval, where you stand on the U.S. Coast Guard, is there any update from your end?

Roger Holm: Yes, as you know, we have the temporary approval in place for both systems, both the (EC and the UV) system. We have had good progress on both sides. So far the EC system, all testing has been completed in January.

So now it's only paperwork to be done which unfortunately it takes sometimes, and it's not in our hands, but we expect to have for the EC part, I would say in Q3, the U.S. Coast Guard approval. And the UV system is progressing well as well. So I expect the U.S. Coast Guard approval within this year for the UV system. So, it's progressing well.

Jaakko Eskola: And we can sail in U.S.

Roger Holm: We have the temporary approval, so our systems are approved for sailing in U.S. waters as we speak and these approvals will be well in time for the long-term solution as well. So we are ready for the U.S. market.

Sven Weier: And do you also see good activity in general on the ballast water side likewise the scrubbers or it's still somewhat lagging behind?

Roger Holm: I would say step-by-step slowly improving, but not at all picking up as the scrubbers yet, so we expect that to come, but it's not coming yet at the same speed as for the scrubbers.

Sven Weier: Thank you. And the last question I had was just on the long-term trade receivables on the balance sheet, which I saw increased year-on-year from EUR 13 million to EUR 109 million. I was just wondering if there was any specific customer behind that or what would be your comment on that item?

Jaakko Eskola: There are several customers and it's not like one customer bumping up, we have couple of customers, which have been there historically, but it's also -- in some segments in some areas, customers are delaying a bit their payments, but it's -- I don't see this as a problem at all.

Operator: Your next question comes from the line of Max Yates from Credit Suisse.

Max Yates: Just my first question would be on the quarterly margin that you've just printed obviously. In the past couple of years, the strength of Q4 has been a lot greater than previous years ...

Jaakko Eskola: Did you disappear or did you finish your question? Sorry.

Max Yates: Sorry, so I just wanted to understand effectively the drivers behind the record Q4 margin ...

Jaakko Eskola: It's a ...

Max Yates: To what extent were there provision releases in there and what was driving that?

Jaakko Eskola: I think it's a typical quarter 4. There is the mix of the big -- of the businesses, what is actually finally delivered out, of course, releases and so on, but I think when you look at the development, of course, there is a lot of work on different divisions and on our operational excellence work and so on where the margins are getting better slowly, but definitely.

Max Yates: OK, just the second question would be around the 14 percent margin target. Obviously this year we've had margins impacted by the management incentives and the business should be growing over the next couple of years given your recovering markets.

So is there any reason to assume that you shouldn't be hitting your 14 percent margin target in the next couple of years?

Jaakko Eskola: I will start by saying that, no, there is no reason, when it happens let's see, but it's -- that's our target and we are really aiming for that one. We will come back to that one whenever it's getting so close that we can talk about it, but it's definitely a target and the market looks better, businesses in different divisions look better, so it's getting closer.

Max Yates: OK and just a final question would be around sort of power orders. You obviously show in your presentation the mix of orders has been very heavily weighted towards Asia, Bangladesh has been a big region for you. When you look at the pipeline for 2018 I guess, Bangladesh orders are coming to an end.

What regions would you really sort of point us towards where we should see another sort of big step-up in activity to replace the demand in Bangladesh which may not repeat in 2018?

Jaakko Eskola: Thank you finally for the question, Javier has been here, Javier Cavada, the Head of our Energy Solutions has been here waiting for that question and he is -- I will let Javier now to explain where market movements are the best now.

Javier Cavada: Thank you, Jaakko and thank you for the question. Indeed I'm on fire with that question because indeed '17 we had our best year ever in Bangladesh as a country, but it was also the best year ever for Wärtsilä in Energy in the U.S.A. Really was a big jump into the U.S.A.

The year before was the best year ever, I mean, I'm talking about 2 years ago in Indonesia for Wärtsilä ever. Also was the best year ever for Wärtsilä in Argentina, and if you look the last years of growth, every year we have a market in which we are touching records that we never touch and that's based on our market development activities.

So we have multiple countries, multiple geographies in which we are working to develop the energy system into that region and make our solutions be the technology that is winning and is transforming the society.

So definitively this year we have plenty of places that we expect the market to be favorable and to be having Wärtsilä as the winner again and if we look at geographies, U.S. again, Middle East, Asia again with Indonesia will continue, Southeast Asia different geographies, Central America, South America.

So I could name several that -- that really we are growing, we continue growing and that's why when we get this question, we are very pleased to answer them. I mean, Bangladesh, we continue there, but we have so many new markets that we'll probably have the question next year about another country, which it's fine ...

Max Yates: OK, so just I mean just in context -- I mean you took 3.8 gigawatts of orders this year, my understanding is Bangladesh was between 1 and 1.5, so somewhere in the region of sort of 30 percent.

So you're comfortable that much smaller regions will be able to grow efficiently if that Bangladesh number comes down materially next year? Just because -- I understand other regions are growing but the size is just significant ...

Javier Cavada: It's totally correct, the question is absolutely valid and to the point, I mean the size in megawatts of Bangladesh was really enormous, but if you look at ...

Max Yates: How big was it?

Javier Cavada: I mean it was 1.5 gigawatts and if you look at the scope of supply of Wärtsilä has been uniquely equipment. So equipment liquid fuel nothing else. I mean if you look at other markets whether in dual fuel, whether in balance of plan, whether in completely EPC(inaudible) integration, so if you look at Argentina one year before, that we have 500 megawatts of orders and the value of the orders were quite comparable because we were talking about full EPC and you cannot compare.

And I understand the question very well you cannot compare megawatts to megawatts without looking at what is the scope of supply and since we compare by the full energy integration, so as you have a full energy integration, you have enormous bigger value than only the equipment.

And this year, I have to say '17 Bangladesh was a unique case of only equipment, the rest of the globe, we had much wider scope in the orders. That's why the monetary impact of Bangladesh was much, much smaller than what the megawatts was.

Max Yates: I guess my only last comment on that would be that the value per megawatt in terms of Euros has been flat for the last 3 years. So I wouldn't suggest that the Bangladesh order has materially brought down the order value per megawatt of total power orders. So that would be my only comment, but thank you very much.

Javier Cavada: Thank you for the great question and allow me to add a comment that we have multiple orders last year in which there was no megawatts included like the LNG terminal, like energy storage in which we are not generating power, but we are storing it and moving it into the grid. So those have zeromegawatts and they of course very relevant euro value, but thank you for the good question.

Operator: Your next question comes from the line of Manu Rimpelä from Nordea Markets.

Manu M. Rimpelä: My first question would relate to Services where we've seen a very nice acceleration in the growth and I think the currency-adjusted growth accelerated in Q4 compared to the third quarter.

So can you just give some thoughts around how do you see the Services growth in sales accelerating into 2018? Are you seeing that the kind of the biggest end markets like I think offshore has been a major drag?

Is that going to turn into a positive and also can you put it into perspective when you've been talking about this 5 percent growth rate that you expect in the longer term that could we see actually increasing or beating that even that the end markets are coming from a lower level? That's the first question.

Jaakko Eskola: Thank you, Manu and Pierpa, I think we could get you also on the lines, you are in Trieste and if you could now?

Pierpaolo Barbone: It's a pleasure. Thank you very much for the question. Just to give an idea when you grow from one year to another in terms of installation under agreement (an amount of 170) so this is the growth of the number of installation we had between the end of '16 and end of '17.

Of those by the way (79) are related to Carnival so, it means that the non-Carnival installation under the agreement have grown around 100. This means that you have a very solid base on which to grow your future.

Of course, this means also that the installation have a different operating profile and the revenues, the sales, they materialize in terms of sales differently, but this is very interesting based on which to build the growth.

Second point is also that certain segment like cruise and ferry, I underline ferry as Jaako was -- LNG carriers' energy were and are increasing in terms of volumes and then they are let's say supporting the growth despite the fact that in other segments like offshore where we have 10 percent decrease in terms of sales between '17 and '16.

Or for example in certain merchant segment container vessels that where we had a significant decrease of sales, all of these were covered by other segments with a good increase especially on the 4-stroke.

So all of this gives a good perspective for the future in terms not only of the wake up -- possible wake up, but we see it in terms of quotation, we see it also in terms of some order increase in terms of propulsion, a wake up of offshore, a wake up of merchant.

But despite that let's say we believe that we can grow also in (renewables) where we can improve the capture rate of maintenance, retrofit activities on hydropower plants and in -- you know that we have expanded our business under multiple brands and additionally as commented before by Roger also the environmental retrofit has increased in terms of order intake and so we have a good perspective for 2018.

Jaakko Eskola: Thank you, Pierpa.

Manu M. Rimpelä: Thank you. Then the second question would be relating to the energy division. So we have seen a very solid progress on the order intake once again. Could you talk about how do you think about the quotations data that you provide and what kind of -- because we've seen a clear increase in that data some years back.

So do you think that the current level of order intake is reflecting the current level of quotations or are we still seeing some pent-up demand from the last couple of years when the demand was weaker due to the fluctuations in currencies and em uncertainties and different things?

Jaakko Eskola: Javier, could you?

Javier Cavada: Yes, absolutely. Thank you, Jaakko, and thank you, Manu for the question. I mean, I believe that the reason why we are following the quotation activity is very much the (years) 3 years ago and before that there was low demand and we wanted to show that there was lot of market development activity and market movement and progress into the energy areas that will take years to happen.

And this is, I mean the quotations that are happening today, I mean you could get a contract in few months, but you (could) get a contract in many years afterward. So it's the lifetime of a quotation, you would say until it becomes a

contract, it can vary enormously but what we see is that the activities globally are only increasing, especially due to the role that Wärtsilä has taken as the energy integrator.

So we are talking about gas, we are talking about dual-fuel, but we are talking about solar storage. Making sure that the new grid, the new systems are doable with the best technologies of the new smart technologies that are available and for that reason, we will see that the amount of quotations is sustainable.

We also see that the growth is going to continue based on that and you'll see that the diverse fuels into the quotations many times mean that this dual-fuel, well many times means that it's a hybrid with solar, with gas sometimes it's solar and storage. So let's say that the nature of the quotations is evolving as the market is doing, but we are pretty satisfied and quite optimistic looking at the future.

Manu M. Rimpelä: OK and the follow-up if I may, are you able to give us some understanding of how that quotation activity has evolved, if you compare the level today to say 2, 3 years ago that how much more is related to U.S. or developed markets and (batteries).

So are we kind of truly seeing a big and fast change of the quotation and the kind of activity in the market or is it still mainly dominated by the emerging markets?

Javier Cavada: Thank you for that additional question. Definitely we see that the seasons are happening faster than before. I mean the investment environment is getting more active and what we see is that, we see much more activity in developed countries, we see much more activity in the U.S., in certain geographies in Europe also, in Asia and well, one of the big phenomenons is the need of flexibility into the grid.

So much more renewables we have, as Wärtsilä talking about it for many, many years, but it's happening already, the last couple of years, it's happening, going forward it's only accelerating and that is making that, when we were

quoting in projects, if you would say fighting with other technologies like gas turbines, we were in a different position than we are today.

Today, market needs flexibility, so our solution is much more superior to other technologies and that means, that's why gas turbines are declining totally and the fact that we are able to bring storage and solar is giving a much stronger (hit rate) to our quotation activity. I don't know if I answered you, Manu.

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

Antti Suttelin: Yes, thanks, I think you already partly answered, I was on the power plant segment and I was just wondering, looking at the big boys, the gas turbine makers, they are really as you pointed out, really, really negative on the market and you guys say that you see continued growth and I know that your product is different, but is it so different, is this all really sustainable as you think?

Jaakko Eskola: Yes.

Antti Suttelin: Your growth versus decline in others?

Jaakko Eskola: Antti, yes, I don't need to get Javier here to say, yes, it is and it's the only way how to support today the great development of renewable energy.

Antti Suttelin: Yes, that's what I expected you to say. Can you split the power outlook into 2, gas and oil separately, when you say growth, does this apply for both or does this apply to gas only with potentially some decline in oil or how do you see that?

Jaakko Eskola: In a long-term, it is gas, it's definitely gas because gas, it's a more environmentally friendly fossil fuel, but we still have countries where the heavy fuel or diesel is the only possibility, Bangladesh was an example. They don't have the infrastructure and it's going to take long time before they will build it.

We will see here and there spaces where diesel or heavy fuel all still runs, but it will be declining, but don't, Antti, now quote me that this quarter didn't change too much, but going forward it will definitely change.

Antti Suttelin: We know that the oil segment has been the big positive surprise in 2016 and 2017, really, really strong. Do you expect that part of the market to remain strong also in 2018 or should we see a decline already there happening, potentially more than compensated by gas?

Jaakko Eskola: Antti, now I need Javier to say a little bit where the heavy fuel and the other ones are now. I mean specifically as much as we can talk about it.

Javier Cavada: Thank you, Jaakko and thank you, Antti, definitely. In the previous, I mean 10 minutes ago we were talking about Bangladesh being in megawatts, an enormous jump, not monetary well because it was only equipment, I want to remind that, that was liquid fuel, that was really abnormal.

If you look at the long-term trend, but also the medium-term trend, gas is taking over. And the reason why in some countries still going for liquid fuel or for diesel or even for heavy fuel oil is that, Wärtsilä, we have this technology that is extremely modular that you are able to transform to gas later on.

I mean we have the possibility that the investment that you made today, several years later you can -- I mean Wärtsilä services comes and makes it with maximum efficiency working gas when the gas infrastructure is available. And we are also bringing the gas infrastructure. So medium-term, long-term gas always spots in the planet that will be liquid that we don't see that as the growth area.

We have that capability and the keys that we are able to change the fuel to gas later on and make it -- and after this gas, we can put a solar plant next to it to reduce the fuel consumption and then we are able to (alternate) the storage to make the whole place and grid much more sustainable and much more profitable for the customer. Those are the key things and those are the directions.

Operator: Your next question comes from the line of Peter Murdoch from Morgan Stanley.

Peter Murdoch: I had 2 questions if I can. The first is just on the order backlog for the end of the year. If I total up the orders, take out the revenues and just trying to do the maths behind the backlog, I get some order slippage, some numbers missing.

I just wondered, is there any -- has there been any cancellations or anything in the backlog or is this just a normal course of business. That was question #1.

And question #2 is just the margins of the group, so look if we adjust for the incentive program, you're running close to 13 percent margin, 12.7 percent this year. How do you think about 2018 now because next year I imagine mix will still be a headwind, but you still have cost savings, you have FX, I just wanted to get a flavor of where you think margins can go next year?

Jaakko Eskola: Thank you and the first question, yes, couple of items affecting the order book and one is the forex, I mean we have differences there and another one is a bit higher number is the cancellations.

We have every year cancellations and it varies depending on the customers and segments and the situation with our customers, but that's a normal one, so that's why your calculation doesn't match. I think, Marco, the total numbers are, I mean you can calculate it, but ...

Marco Wirén: Yes, it's about 300 and FX is actually a little bit less than cancellation, but it's quite a big number.

Jaakko Eskola: So that's the story for the first one. Margins, I mean you know how we want to talk about the margins, but of course, we have said, I mean I repeat what we have said about the development of our businesses, energy is today getting in a better shape. I would say we were talking about the history of that one.

We have, at the same time, say that our Services is developing year-by-year, better, so the profitability is growing and now when market is also moving in the right direction in marine, we shouldn't start getting any hitch at least in the marine, so that's developing accordingly.

So, we should as much as I want to open it, we should develop the margin part also after all there restructuring operational excellencies in a favorable way.

Peter Murdoch: OK Jaakko, thank you. Can I just add -- just 2 more very quickly. One was just on the working capital, how you think about that next year, and cash flow, do you expect a better development in '18 than '17.

And the final one, I guess Javier just on pricing in energy, the comment has been clear that the pricing had improved last year versus the years before, I just wanted to know how is it in 4Q, what's the outlook for pricing going forward?

Jaakko Eskola: Thank you. Marco Wirén, our CFO, he wants to also step-up and say something about the ...

Marco Wirén: Cash flow and working capital ...

Marco Wirén: Well, thank you for the questions, I could step-up as well. Yes, this year, 2017 cash flow wasn't perhaps as we expected and we believe that 2018 we should see some improvement in the cash flow.

And of course, the reason for cash flow not developing as we wanted in 2017 was the working capital, big part of that came from Energy Solutions, of course when you're growing, you tied up capital and both (what comes) to inventories, but also lot of receivables as we see right now.

But also we made a decision in Services on the spares that we will increase a little bit their inventories to increase the turnaround of these high runners and be able to sell more and this is based on the customer demand. So these are basically the reasons.

Jaakko Eskola: And Javier about the pricing?

Javier Cavada: About the pricing indeed following what we said the last quarter I mean we'll continue in a very stable situation has improved compared to the past, the price levels have been normalized and getting better continuously.

And I want to highlight that the bigger volume we bring to the customer, the bigger margin we can share with the customer. And that means that when we go from equipment towards more integration, more full EPC full services, then our margins get much better.

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

Tomi Railo: Energy, what are you seeing in terms of El Salvador project?

Jaakko Eskola: The famous El Salvador, Javier, do you want to ...

Javier Cavada: It is good exercise to stand up again. I mean, the first thing about El Salvador is that it's a wonderful country. I've been there some months ago, once and everything, what I can say today really seriously is that everything moves according to the previous information.

I said I have been there 3 months ago. Our people are there every month; 2020 is the start of operations of the plant. This year is the start of the activities of the construction et cetera.

So again I can say proudly also the same as we said one year ago, when it comes it will be great, it's not a part of the of the growth (escalation) we have as a company. I mean if it comes, it's a great upside, and it will come when according to everything -- will be soon, but again (chair is from Helsinki, not from El Salvador).

Tomi Railo: OK, just in a way to put it back to the discussion a bit earlier when the project was delayed. Is that project booking included in a way in your continued positive market outlook for energy?

Jaakko Eskola: No, not at all. As Javier has said, if it comes, it comes, if it doesn't, it doesn't, but it's, I mean it looks a bit positive than it looked 3 months ago.

Javier Cavada: It will be even better.

Manu M. Rimpelä: Great, thank you. And then on the energy storage, can you shed a little bit light on the numbers for Greensmith, how much orders did they book for

2017? What would you expect for '18? What was the megawatt and the market position and so on?

Jaakko Eskola: You like exercise, Javier?

Javier Cavada: I love to up and down. I'm more often with Greensmith colleagues everywhere in El Salvador even if that's wonderful weather. 11 projects we have delivered in 2017 Greensmith but now is Wärtsilä. We are all together in this and we see the position of Greensmith is only strengthening thanks to the merge of the acquisition by Wärtsilä of the company, it has become global.

You have seen that we have done contracts in Portugal, we have done contracts in Singapore, we have contracts in North and South of America and we have an enormous pipeline and the pipeline is getting better and bigger all the time due to this global reach of Wärtsilä and global services that we have in Wärtsilä because one of the key features of energy storage is that it can improve every grid.

It doesn't solve a big problem, but it gets the grid more efficient and gets the electron move a bit faster and makes things smoother and more flexible. So with a big installed base, we have over 65 gigawatts and 177 countries and all the agreements we have in services and more to come, there is an enormous potential.

So if we look at the position Greensmith had before the acquisition, that was one of the top 3 global integrators of energy storage, remains as one of the top 3 global energy integrators and well, the future Wärtsilä is the one that is going to shaping that market and we are going to be bringing that a small market today to be big.

Tomi Railo: Last question, a bit relating to earlier discussions, but you have mentioned the currency and I would just be curious, what's your currency numeric guidance for 2018 impact on sort of revenues and profit?

Javier Cavada: No, it's not a major issue in 2018.

Operator: Thank you and that's our last question. And for those who ask questions please send your question towards Investor Relations. Thank you.

Jaakko Eskola: Thank you all on the lines and here in Helsinki and let's see you in April. Thank you.

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