WÄRTSILÄ CORPORATION (STREAMING)

Moderator: Jaakko Eskola
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Operator: This is conference # 93498475

Jaakko Eskola: Good morning, everyone and welcome to Wärtsilä Interim January-September Report. Today, I have here, as usual, it’s the whole board of management with me and Natalia Valtasaari, Head of Investor and Media Relations.

I will have a short presentation and then we can go directly to the questions and answers.

So the highlights of the third quarter. We had a satisfactory quarter. Order intake, 19 percent up. Actually, all the divisions went up, which is very good development. Net sales, 9 percent up. Book-to-bill, very good, 1.15. And profitability at a good level. Earnings, EUR 0.43 per share. Cash flow from the operating activities now getting better quarter-by-quarter.

If you look at the strong development of the order intake, I think one of the very positive highlights this quarter was the Marine Solutions growth, 35 percent up compared to last year. Energy is still doing well, 26 percent up. And also, Services had a good quarter. So overall, 19 percent up.

Net sales, very much supported this quarter by the deliveries from our Energy Solutions. 83 percent up our net sales in Energy Solutions. Marine down because of a difficult year on order intake last year. And Services, 3 percent up in this quarter.

Energy Solutions now has grown so much that it's even bigger than the Marine Solutions in this quarter. And Services dropped a bit, a couple of -- or 3 percentage points. And when you look at the book-to-bill ratio, I think we had a good quarter.

Looking at the order book distribution. And now here, we have the figures or the bars for delivery for current year, so you can see the fourth quarter, also next year and the years later than next year. And of course, when you look at the order intake development, you can see the good development going forward.

Operating result after the 9 months was supported partly of the timing of some deliveries and some deliveries in this quarter, the mix of the deliveries.

And moving on to Services, 3 percent up, but we have challenges in the market at the moment. And then the challenges are coming mainly from offshore, some slow development also in merchant. And if you look at the different segments, you can see also that the service projects development hasn't developed exactly as expected.

The net sales distribution in Services is pretty much the same. I'm very happy to see the agreements growth. And also power plants in the segment side, its size is growing, as cruise and ferry. And the good development on the long-term agreements, of course, gives us very good vision of the future. This is now the agreements data. And then when we start looking at the net sales going forward, you will also -- you should see a strong development.

Finally, the energy side is now pulling up. And here, you can see, of course, the impact of the Carnival deal and, of course there, for example, the deals from the Norwegian Cruise Line.

And one highlight in this quarter was a long-term agreement with our long-time customer, GasLog. They have quite a lot of LNG carriers and now they finally agreed to put the latest ones also under our Services. This is a good example of the development of the digital solutions where you can remotely troubleshoot and tune the engines and, of course, at the same time, upgrade software installations and strive and look at the engines for an optimum life-cycle utilization.

Moving on to Energy, very good quotation activity and in all fuel types. And then the latest development again after 9 months has put a strong position in our Energy Solutions.

Oil and gas, 50-50. You would actually guess that the gas would be growing faster. But this quarter was very much a story of Bangladesh, partly also Indonesia. And Bangladesh is today still very much an oil-driven energy country.

And from this slide, you can see the meaning of our development in Asia. Strong development in those countries. And of course, Bangladesh has come as a good example of our competencies to deliver fast-track energy projects.

But it has not only been engine-driven power plants. As you have seen from the latest news, there has been also, during the third quarter, solar. We are developing our hybrid solutions. We are developing our cooperation now with the newest member of the family, Greensmith and we got the Hamina LNG receiving terminal contract. This is the third for Wärtsilä here in Finland. And of course, it's going to be an excellent example of us developing these outside Finland.

And if you look at Wärtsilä's Energy Solutions today, I think this is a -- this picture could be used as a case where, in addition to the terminal, you could start adding Wärtsilä power plants, you could add solar plants and you could add the storage and so on and think about Wärtsilä being the system integrator of these decentralized flexible power solutions. Of course, Hamina hasn't ordered any engine power plants, but imagine the Wärtsilä other solutions together with the terminal to be the future. Market share, in a bit, shrinking market has grown, so 14 percent now. Good development.

And then moving on to Marine Solutions. We have been talking this year about the improving market conditions. And lately, the last month, you saw the development. If you take the first 6 months, I think there were 666 vessels or so ordered in the first 6 months and that's 90 percent better than last year. So one could say that the market is developing again positively and it's developing in segments where Wärtsilä is strong.

And then you can see it also the result on our order intake, which has been supported by the favorable contracting mix. Cruise is still the highest, 31 percent. Gas carriers, there, you can, of course, you can talk about FSRUs. I think there was a one FSRU in our numbers this quarter. There was 4 LNG vessels in China with our engines and solutions. So these are the 2 biggest segments today. But the traditional merchant is also picking up and still, you see some ferry and RoRo orders supporting the development in a positive way.

Market share numbers. Our 4-stroke market share a bit up, also on the auxiliary engines side, which is -- which supports again our joint venture operations in Asia.

Some of the highlights in Marine sector has been actually supported by the intelligent shipping and which we have been, of course, driving very much with our Smart Marine strategy.

One very successful case was an offshore vessel in North Sea, which was successfully tested by remotely controlling it from our San Diego operations via satellite. And this is a good example where the Marine is going, where digitalization and automation and a new way of thinking about ecosystems work, basically saying that Wärtsilä is there already today to offer those solutions if our customers want to use them. And that was then finally supported by the acquisition of Guidance Marine. It actually happened outside the quarter, but a couple of weeks ago finally. And it supports and enhances our competencies when you talk about the intelligence vessel navigation.

Cash flow, as I said early at the start, it's now going to the right direction and very much, of course, has been affected by our increased receivables. And looking at working capital, so we are still building some of the inventories to get a lot of our solutions to our customers, which you can be -- or can be seen here. Gearing, 0.2.

And with this, our prospects for the 2007 (sic) [2017] today are unchanged. So solid Services with growth opportunities; good in Energy Solutions, which you can see, of course, how the market has developed; and solid in our Marine Solutions.

With this one, I will go now for questions and answers.

Jaakko Eskola: And let us start here with the audience if anybody wants to ask any questions here. No? Then we go directly to the lines, please.

Operator: (Operator Instructions)

Your first question comes from the line of Johan Eliason from Kepler Cheuvreux.

Johan Eliason: This is Johan. Just a very brief question on your contract base. You are rapidly increasing your penetration in the Marine side. Do you think you will be able to get to the same sort of 25 percent level that you have on the Energy side? And then Energy basically seems to have sort of stayed flattish around 25 percent. What should we expect there going forward?

Jaakko Eskola: Thank you, Johan, for the question. And we don't have any published KPIs where the contracts' percentages should be, of course, ultimately 100 percent. But we are striving the company to get as much as possible. The long-term contracts is a good indication also how well we are establishing ourselves with our customers. In Marine, it has always been a little bit more difficult because we sell to the shipyard and then the shipowner finally or the operator negotiates the contract. And now it has been developed very strongly because of dual-fuel engines coming into the market, new ways to remotely control and operate the engines and new technologies. And the trend is good. And of course, we try to get it even higher. That's, of course, the aim. No numbers, I cannot give you any numbers. But let's assume it will be growing also going forward. Energy, it went down a bit, as we explained earlier, because of some canceled projects in -- mainly in Brazil. Now it's picking up again. And looking at the orders, we are actually getting from the Energy side, you should expect also the contracts to get in -- growth seen in the energy sector. But it takes a bit when the plan has finally been established and then you have a warranty period. But we -- our service organization is strongly negotiating now with our customers from Argentina, Indonesia and, of course, now in Bangladesh.

Johan Eliason: And how is the impact? You mentioned that the share of agreement is growing in your service mix. How is the impact in the short term on the margin there and then, obviously, longer term?

Jaakko Eskola: Of course, margin comes from different elements. It's the spare parts, it's the field service side and so on. So long-term agreements normally include spare parts and that should finally impact in a positive way. Or Pier, but do you want to...

Pierpaolo Barbone: No. Spot on.

Jaakko Eskola: Spot on said Pierpaolo Barbone, yes.

Johan Eliason: Okay. And then just finally on the quarter, I think you have warned a little bit that you would be delivering some of these power plants taken at maybe a bit lower pricing level historically now in the quarter. Are we all done with those? Or how should you think about the margin impact from that going forward?

Jaakko Eskola: We have been saying that we still have a bit of those old deliveries in our portfolio and so it will be partly still impacting this year.

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

Antti Suttelin: I've been looking at the recent developments in gas power plants and it just struck me that GE, your dear competitor, had a pretty bad quarter. And when I look at your gas power orders, I can see they are down quite a lot year-over-year. So what's going on in gas power plants?

Jaakko Eskola: Probably, we are not the ones to comment on the GE side. But Antti, let me ask Javier Cavada, the Head of our Energy Solutions, to open it up to what's going on with the different fuels.

Javier Cavada: Absolutely. Thank you, Antti, for the question. Indeed, I have to say that gas for Wärtsilä and how we see the market, is growing. It's growing stronger, stronger every month, every quarter. And definitely, if you look at the last year's, it has been growing quite significantly. And this quarter is a very peculiar quarter because we have around 1 gigawatt of orders coming all around Bangladesh that is, as Jaakko mentioned, running on liquids, running on oil. But that is a one-case impact. If you look at the gas, we have more gas installed base or more gas order intake than 1 year ago. Last year, we had more than the year before. And going forward, we only see that going up. When you mention competitors, we have totally different value proposition, different technology, so we cannot comment. So we are -- based on our Smart Power Generation, our smart solutions that are enabling renewables to maximize the entry into the grid and that's normally, I would say, massively coming from gas power solutions. So extremely optimistic about gas today and going forward.

Antti Suttelin: Okay. So nothing wrong with the market even if your order intake was down and GE was down in Q3?

Javier Cavada: I mean, as I said, Antti, I will not cut 3 months of my life and analyze my life based on these 3 months. I mean, it's -- if you look at gas from January to September, we have grown compared to last year. And Bangladesh has been a big one and a big one in which we are still engaged, so we'll continue to bring new orders. But those service in Bangladesh will be particular, like every country is different and will be based in oil. But nothing to be generalized at all.

Operator: (Operator Instructions)

And your next question comes from the line of Manu Rimpelä of Nordea.

Manu Rimpelä: My first question would be on the order backlog that you have for deliveries in this year and also for 2018. If I just look at the slide you provided on Page 7, it looks like the deliveries for next year are pretty much on par with the level where they were at the end of Q3 2016. So I'm just a bit curious to hear how to think about the sales development in 2018 given that the backlog is kind of (inaudible), at the moment?

Jaakko Eskola: Of course, it's not the right time to start guiding and talking too much about the '18. I mean, I think this gives you a good indication where we are going. But let's get back to 2018 in January, that would be probably the best moment.

Manu Rimpelä: Okay. Then in terms of the power plant, so could you comment in terms of the value per megawatt? It seems to be quite low in the quarter. So is it just related to the orders where we're very much focused in one single country and on one particular fuel, which changes the comparison base compared to previous quarters?

Jaakko Eskola: It's always a question of whether we are delivering equipment or whether we are doing the EPC. And mainly, in Bangladesh, I think all the Bangladesh deals were equipment orders. And of course, the value then is much lower than when you used to talk about the EPC contracts. And so it's very important to look at our news when we say that it's only equipment delivery, then the value is lower. But it's, of course, it's important to us to get if you look at the future because Wärtsilä Services will be then involved. So that's the difference. EPC then, it depends totally how much we also do with -- of the project.

Manu Rimpelä: Okay. And can you comment on how do you see the margin differential between those 2 type of projects? I would imagine that the equipment only should be then higher margin?

Jaakko Eskola: No, I don't think there is any difference in the margins as such. Or do you -- no, no. As far as I know, there is no difference.

Manu Rimpelä: Okay. And then on power plant outlook, so your quotations are running at the highest level, at least on the chart you show historically. But so far in the previous quarter, you've been very focused -- the orders from one single country. So do you feel comfortable that the orders is so dependent on one single country? Or do you see risks that this is too much focused on an individual country?

Jaakko Eskola: No, I mean, basically, Manu, we work in almost every country. And it's good to remember, as one highlight during the third quarter, we got the deal in Angola. It was the 177th country where Wärtsilä has or will be now delivering power plants. And so we work everywhere where there is electricity needed. And one quarter, it might be Bangladesh. One quarter last year or a couple of quarters, it was Argentina. Indonesia, Indonesia is still very strong.

Bangladesh is going to be still strong. U. S. is strong, you saw yesterday and it will be stronger and stronger. Next year, we can pick up different countries. But of course, it's a political situation in different countries, what decisions are made and that's actually driving it more than anything else.

Manu Rimpelä: Okay. And can you comment on the power plant quotations mix? Are you saying that the smart power flexible generation used for backup of renewables have increased its share in those quotations then, especially in the developed markets? You signed a couple of orders in the U. S. recently.

Jaakko Eskola: Let me ask -- I mean, Javier can open it up.

Javier Cavada: Thank you. Thank you, Jaakko and thank you, Manu. Indeed, I mean, we see the activity of renewables being more integrated, more integrated and more need of flexibility growing. I mean, we were talking about gas, but gas and flexibility go very much hand-in-hand. So flexibility is the new value for the grid, for the value for the customers and value for the countries where we are operating. So indeed, the quotation activity has grown in all the fuels, but that means in our solar part, means in our energy storage part and, of course, means all our Smart Power Generation, which has gas as a cornerstone. In a nutshell, yes.

Manu Rimpelä: Okay. And final question, can you comment about the pipeline for further M&A? You've done a few smaller or even midsized deals in the past year. Do you see that there is a lot more to acquire on the energy side?

Jaakko Eskola: I would like to say that there is a lot of opportunities. We have a long list and wonderful planning inside the organization, how the ideas are coming and how we look at the market. Of course, we need more competencies moving on more to the Smart Marine and Smart energy. Greensmith was an excellent example how we are now developing our hybrid solutions. Guidance Marine, looking at the intelligent vessels and Puregas, good example of how we need to develop the gas competence. And so there will be more acquisitions. Some of them are smaller ones like the last ones, some of them might be bigger ones. And then, of course, always, we look at the opportunities which are then coming from our market.

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

Max Yates: Just my first question is around the comments in the release where you talk about sort of profitability being supported by certain deliveries being brought forward. Could you just give us some kind of quantification around how much revenue you've brought forward from Q4 into Q3 and just how big that effect was? I assume the fact that you've mentioned it means it's sort of at least worth commenting on.

Jaakko Eskola: Thank you, Max. I don't start now opening the differences between the quarters, but there were some deliveries. Some of our customers this time wanted to get the deliveries earlier this -- in the third quarter and some of those deliveries had a good margin. Sometimes, you see the other way around and we will definitely see something happen in Q4. So some deliveries will go to 2018. And you never know how finally customers then actually wants that delivery to happen. But there were some elements. I don't give you any number.

Max Yates: Okay. Just a second question would be around, obviously, margins for this year. So I think year-to-date, we're running at about a 10 percent margin. The market expectations are for about 12 percent. So -- and you've talked about broadly flat development year-over-year in 2017, which again would imply a sort of 12.1 percent margin. So can you give us some help to again this year understand why Q4 margins are going to be so much stronger? I understand last year there were fast-tracked orders, there were some provision releases. But what should give us the confidence that this year, you can repeat that and do above a 16 percent margin, particularly when your backlog for delivery in '17 is 10 percent lower year-over-year?

Jaakko Eskola: Of course, when we look at the quarter ahead of us, you look at the order book. And from that order book, you can calculate quite well what will be the margin. Last year, we had some fast tracks. This year, we have some fast tracks. And I mean, if the projects are going well, you might release some of the provisions. So I mean, this is as much as we can open the numbers today.

Max Yates: Okay. But when you talk about flat development year-over-year, that includes margins, right?

Jaakko Eskola: Actually, when we talk about development, I think the guidance says about the market. And so...

Max Yates: Okay. Okay and I guess just -- I mean, I guess just the final thing would be around cash. So obviously, year-to-date cash has been impacted. I think when you go through the issues that you've had, not only is it working capital, but you also cite advances, which are quite meaningfully down year-over-year. Can you help us understand what is driving this, given the good order momentum that you've seen this year and, particularly in power, where I would have expected advances to be above Marine given sort of sizes of projects? So are we seeing -- is this a reflection of competition in the market, some selective easing of terms in order to win orders? I don't understand why that number should be down given the order momentum.

Jaakko Eskola: Of course, it's partly a reflection of the market situation. And we have very openly always said that we -- there has all the time been a pressure in Marine. For many years, we had a difficult situation in Energy; now it's getting better. And the margins are getting healthier also on the Energy side. And advances, I mean, it's a situation how you negotiate. One part of the negotiations are the advances and how much you pay and how -- I mean, what is the payment schedule. Some of the numbers, I mean, advances numbers are now down and it's partly a reflection of the competitive situation in our market.

Max Yates: Okay. Just the very final one, on power. Obviously, given Bangladesh has been so significant in terms of the sizes of orders, we also saw Rolls-Royce winning a contract from Bangladesh in the quarter. Should we assume, when you've talked about kind of new orders back to what we would think of as normal profitability, is this also true of Bangladesh where obviously the desire, given the amount of orders that were on offer, the desire to win those, I would imagine was pretty high? Is that comment still true in respect of the Bangladesh orders that we should think about those as normal profitability?

Jaakko Eskola: When we have been talking about the profitability of Energy, I think, I mean, it's an average number, that our margins are now healthier and we don't have in our portfolio any more of those ones which have been affected. So it covers Bangladesh, it covers all our countries. And I don't think it's a -- it wouldn't help if we start saying this country is better or not. I mean, it depends also not only the country, but more than that, it actually depends on the solution we are bringing. If we bring value and it's a valuable transaction for our customer, dependent on the country, the margins are healthier.

Max Yates: So do you think, with the current pricing environment, the order momentum you're seeing in power, the trends that we're seeing in Marine, it's reasonable to think that you hit that sort of 14 percent margin target in a couple of years? Because we're finally seeing the market coming back, pricing's getting better. Is there anything you'll see in the market that is a risk to that 14 percent margin target in the next couple of years?

Jaakko Eskola: Today, there is no risk. I mean, the momentum is right. Now finally, both our end markets are moving to the right direction. And if they continue that one and the support we, of course, have from our Services, yes, we will reach the 14 percent. I don't say which year, but it's -- we are going definitely to the right direction.

Operator: And your next question comes from the line of Sean McLoughlin of HSBC.

Sean McLoughlin: Some questions from my side. Just if I could rephrase Max's question slightly about Q4. I mean, how comfortable are you on the level of year-on-year profitability in -- given your lower expectations on deliveries?

Jaakko Eskola: Yes. I'm comfortable that we are going to have a, I mean, have a quarter which brings us to the level as we have been talking about. So I mean, not -- I don't start guiding exact numbers or am I comfortable of the profitability of that quarter. But we -- I mean, we have our quarter ahead and we have challenges in the market, but we are -- we have in our order book a good development in all the divisions.

Sean McLoughlin: Good. And if I could just focus in on Marine, which has been arguably the best performer versus expectations in the Q3. I just wanted to square the circle. The trend line, if we look at the Clarkson data, shows us the gross tonnage in new vessels has risen back to kind of 2-year highs. Yet you're still cautioning a number of end markets are oversupplied, the market remains challenging, slow trade growth. I mean, how should we interpret this? Are you expecting that the level of vessel demand effectively goes sideways from here and therefore, the kind of vessel -- or rather the Marine order intake settles at around this figure? Or do you expect there is a further leg just around the corner? Or are these structural issues for the Marine segment that will effectively prevent it coming back to higher level?

Jaakko Eskola: I think there are also Clarkson numbers about the development, which are -- which they have upgraded lately a bit. But if I let Roger Holm, the Head of our Marine Solutions, to open it up as much as you can. We know -- please, Roger.

Roger Holm: Thank you for the question. I think there are several angles in this question to look at, say, we would end this year with a vessel contracting around 800, 900 vessels as it looks today. If you look at it historically for the last 20 years or more, we have always been above 1,500 in vessel contracting itself. So just looking at pure vessel contracts, we are at historically low levels still, even if the trend is good and we go in the right direction. At the same time, what has been good for us is that we have had good contracting levels or fairly okay in segments where we are strong, like cruise, like gas carriers. Then the other angle to look at, if you look at it from a long perspective, is the offshore part, which was very strong when we go 3 or 4 years back. And now we are on really low levels. And we don't see, in short term, any major developments on that part either. So all in all, we are going in the right direction. We have had a good position in the market, thanks to our mix and thanks to our penetration in good segments. But all in all, good to remember that we are still on historically low levels.

Sean McLoughlin: Super. And if I can just also touch on your inorganic growth ambitions in Marine. I mean, you've mentioned that navigation was a part that was missing and you've -- it looks like you've, at least in part, filled that gap with your latest acquisition. Are there any other areas do you think, where you -- there is a gap for you to fill inorganically?

Jaakko Eskola: Roger, please.

Roger Holm: What -- I think we need to start then to answer this question. Let's start from our Smart Marine strategy and we talk about the Smart Marine ecosystem. What you will see us doing is work much more on optimizing the ecosystem. And what that means is that we see opportunities to use both our existing product, but also newer technologies to optimize how the vessel is moving from A to B to C in a more optimized way, because if you look at it today, you can look at it very much across the segments. You have certain amount of ways that we believe we can optimize and we can improve. You are in many cases, you are in a hurry to wait, you run the vessel too fast. You navigate in a way that is not optimal for the time you need to arrive to a port. And all of this, we target to optimize in the Smart Marine ecosystem. So either we develop ourself, like Jaakko mentioned earlier, to look at how we can optimize the operations or we look at bolt-on acquisitions on those competencies, all part of helping our customers to move the vessel from A to B to C with less fuel consumption, less emission and in a safe way.

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

Andreas Willi: It's Andreas here from JPMorgan. Glen is still on the Alfa call. Can I ask a question a bit longer term on your power business? You're enjoying a very good window now, but customers don't want the large power plants or the large gas plants anymore and instead complement renewables with your products. How long do you think this window is going to last? And what's your strategy when battery storage will eventually get there and become the cheaper complement to renewables? We have already seen in some geographies where it's very sunny with very low capital cost that battery solar can basically beat your cost. How long do you think you have until that becomes a more global trend and what's your strategy when that happens?

Jaakko Eskola: Thank you. Excellent question. And Javier, I mean, this is the moment to talk about because this gives us the strongest position in the market.

Javier Cavada: Thank you. I have 1 hour more to answer, I hope. But definitively, we are on top of all these developments. So we're talking about a window. It's -- allow me to correct, it's not a window. It's a change that has happened, that is going on, will not come back. I mean, renewables are the new source of baseload. So these huge monstrous power plants are not going to be needed anymore. They are not needed today. They were not needed phase by phase in the last couple of years. And looking at the future, we need more decentralized power closure to where the demand is. And that's definitively our Smart Power Generation concept solution. That's what Wärtsilä has been developing during the years, taking it forward in the developed countries -- in the developing countries. And with the acquisition of Greensmith that was materialized in July, but we have started to work with Greensmith already more than 1.5 years ago. Wärtsilä is taking a leading position, taking the leading position in energy storage, energy storage integration in utility scale. That means that what you say is totally right, the future storage is a very small, very tiny market today. But we have -- we can say that we have 1/3 of the installed base, in utilities' case, in the U. S. is Wärtsilä installed base, Wärtsilä and Greensmith installed base. You have seen the announcement over the last week with a hydro plant that we are hybridizing in the U. S. , our storage projects in Singapore. More projects to come. So that's why Wärtsilä has this energy system integrator. This smart energy strategy in which we are not providing one product, we are providing a full solution to maximize renewables, to maximize flexibility, maximize profitability for the customers. And that -- I mean, inevitably, it's including all the solutions we mentioned: solar plus storage, gas plus solar, gas plus storage and all the mixes. So we are -- our strategy is to be the #1 bringing that to the market and that's happening today.

Andreas Willi: What gives you the confidence that you can still have gas diesel engines as a competitive technology in a few years out? If you ask GE and Siemens 2, 3 years ago, they would have said their large gas turbine plants are the fuel of the future to complement renewables and now that's completely changed.

Javier Cavada: I mean, that is ...

Andreas Willi: Technology is moving so fast that it may all look very different in 3, 4 years' time.

Javier Cavada: Absolutely. You are totally right. And if you asked us 5 years ago, we had our gas and diesel technology. Now we have gas, liquid, solar, storage. We integrate any source of power. You have seen our alliance with wave power. We are integrating any asset, any technology into the grid with a smart software and advanced software. That is the competitive advantage going forward, how to put it all together and to make it better. Definitively, we see that trend that you mentioned and we are the ones, as Wärtsilä, driving that trend to materialize in the market. So we are very confident, but definitively, the speed of changes is enormous and that's also the speed of changes of Wärtsilä going to the market.

Jaakko Eskola: And it's good to remember that you can divide the world of our customers on 2 parts. One is the developed world where we talk about new energy and renewables and so on. And then you have still developing countries where, I mean, they still need the base electricity, which is very well -- will be fitted for years to come with our decentralized power, which is again more affordable, easy to build, fast tracks and closer to the customers and you don't need to start building the infrastructure of the transmission lines.

Javier Cavada: Exactly, exactly. We have 177 countries with our solutions that...

Jaakko Eskola: We are [all over] those countries.

Javier Cavada: They are definitively different to, for instance, Europe reality or North America's reality.

Operator: Your next question comes from the line of Edward Maravanyika from Och-Ziff Capital Management.

Edward Maravanyika: Sorry, I'm actually not at Och-Ziff, it's Citigroup. I used to be at Och-Ziff. My question relates around your comment about profitability in Q3 being helped by bringing forward from the fourth quarter to the third. Where exactly was this? Could you give more detail in terms of by division where this happened?

Jaakko Eskola: It's in Energy Solutions.

Edward Maravanyika: Okay. So primarily all in Energy Solutions?

Jaakko Eskola: Yes.

Edward Maravanyika: Hello. Sorry?

Jaakko Eskola: Yes, yes.

Edward Maravanyika: Okay, okay. And then on your question on small -- on the issue of smaller gas versus big gas, large gas turbine, are you seeing more of the large players moving into your niche, smaller gas? And as that is happening, are you seeing any pricing pressure as they try to compete?

Jaakko Eskola: The pricing pressure we have seen in energy in -- during the years, it's mainly coming also -- or originally, it was coming from when the marine market went down and some of the marine players started to be in the market. Of course, now as you are totally right and like the discussions today has been shown, that some of the big gas turbine players are basically saying that there is no future. Then I'm now only quoting them that there is no future of big gas turbines anymore. Yes, they are looking at the markets saying that engines seems to be the way to handle a lot of those solutions. But I mean, we are the #1 in the market. And of course, they cannot compete against the price because the technology is the driving force. So I mean, one could start developing an engine, but Wärtsilä has developed that for 45, 50 years and it takes a bit time to become the #1.

Operator: And your next question comes from the line of Manu Rimpelä from Nordea.

Manu Rimpelä: I have a follow-up question. Could you please comment on the Marine side, how you've seen the environmental orders developing both for scrubbers and ballast water management systems? I mean, for instance, year-to-date, how many orders you receive? And how do you see the outlook for those in the next couple of years?

Jaakko Eskola: Thank you, Manu. Yes, good question. And Roger, if you -- I mean, it's a couple of ways how you can describe it.

Roger Holm: Thank you. Thank you for the question. If I start from the scrubber side, we have actually seen very good development on scrubbers lately. We have -- to give you some numbers, we have more than 50 scrubbers sold this year so far. And actually, the majority of those sold in quarter 3. And especially in Asia, we see -- and Asia newbuild, we see good developments on scrubbers at the moment. So that looks good and also the pipeline looks good. And of course, the closer to 2020 we come, the more we will also see developments on the retrofit side on scrubbers. Then it's more vice versa on the ballast water side due to the fact that it was more 2 years ahead on the implementation. That's actually very slow at the moment and much less activities.

Jaakko Eskola: New buildings, they need...

Roger Holm: They need and -- but it's still, compared to our expectations before it was changed, it's clearly slower. So we expect that then to start picking up maybe then we get towards end of next year.

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

Tomi Railo: Just on the Marine outlook and where do you think the levels are. Do you think the sort of average 9-month or the third quarter number is representative on the activity you will have, for example, in the fourth quarter?

Jaakko Eskola: Do you want to, Roger, comment? Last time, I commented it a bit high, but you are [correcting me again].

Roger Holm: Yes, you promised more last time, I think, than I was saying. But I think we should -- as we have said, the market is still on low levels. It's going in the right direction. We see good developments. And as long as we see good developments in the segments where we have a strong foothold, that's the direction to look at. Having said that, since we are on these historically low levels, I think we also will see some fluctuations between the quarters going forward, still being at these levels.

Operator: There are no further questions. Please continue.

Jaakko Eskola: All right. Then if there is -- there are no more questions, then we close here. Thank you all here in Helsinki and also on the lines and we see you in January then. Thank you.

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