WÄRTSILÄ IN CHINA
KEVA trip to Shanghai

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• What is Wärtsilä today?
• Where is ship building today?
• Why Wärtsilä is in China?
• What is Wärtsilä in China?
Wärtsilä Ship Power - covers all key shipping segments

Merchant

Offshore

Cruise and Ferry

Navy

Special Vessels
China has gained the top builder position for merchant vessels

Merchant vessels: contracting volumes (DWT), share by region

Source: Wärtsilä’s Marine Market Database (MMDB)
...but is also pushing in other vessel segments

Offshore vessels: contracting volumes (GT), share by region

Special* vessels: contracting volume (GT), share by region

* Special includes: cruise, ferries (ropax and pax only), dredgers, and tugs

Source: Wärtsilä’s Marine Market Database (MMDB)
Contracting activity by ship building region

Number of vessels contracted 2011 (ytd)

- China: 30%
- Korea: 13%
- Japan: 10%
- Europe: 6%
- Rest of World: 13%

DWT contracted 2011 (ytd)

- China: 44%
- Korea: 4%
- Japan: 4%
- Europe: 2%
- Rest of World: 46%

Source: Clarkson Research Services
Contracting activity - owners by region

Contracting by country, No. of vessels 2011 ytd

- Rest of world: 38%
- China: 14%
- Greece: 12%
- Singapore: 10%
- Norway: 5%
- United Kingdom: 5%
- United States: 5%
- South Korea: 5%

Contracting by country, DWT 2011 ytd

- Rest of world: 27%
- Greece: 18%
- Denmark: 16%
- Japan: 6%
- Singapore: 6%
- United States: 6%
- South Korea: 6%
- United Kingdom: 6%
- Canada: 4%
- Hong Kong: 4%
Customer behavior: ship yards

- Building regions have a very different mix of ship types built
- China is pushing to change this mix

Order book mix by shipbuilding region

Building regions have a very different mix of ship types built.
China is pushing to change this mix.
Customers behavior: ship owners

Who orders in China?
• At a global level, ship owning is shifting, with Chinese owners growing their fleets and importance in the shipping landscape
• Chinese owners prefer to order from Chinese yards

Contracting activity in Chinese yards, by ship owner country

Source: Marine Market Database
Wärtsilä in China today

- **Wärtsilä Ventures**
- **2-Stroke Engine Licensees**
- **Joint Ventures**

**WCN Dalian Rep. Office**

- Wärtsilä Qiyao Diesel Shanghai Co., Ltd.
- Wärtsilä Auxpac 20 and 26 gensets

**Wärtsilä China head quarters**

- Wärtsilä Services (Shanghai) Co Ltd
- Wärtsilä Ship Design (Shanghai) Co Ltd
- Wärtsilä CME Zhenjiang Propeller Co., Ltd.
- FPPs, shaft lines, blades and hubs

**Wärtsilä in China today**

- Wärtsilä China Ltd. (H.K)
- Wärtsilä Services (Shanghai) Co Ltd
- Wärtsilä Propulsion (Wuxi) Co., Ltd.
- TTs, LCTs, seals & bearings and components

**WCN Beijing Rep. Office**

- Qingdao Qiyao Wärtsilä MHI Linshan Marine Diesel Co Ltd (QMD)
- Low-speed engines

**WCN Shanhaiguan Services**

- JV with Cuixing Marine Offshore Engine Co. Ltd.
- Wärtsilä 26 and 32 engines

**WCN Shanghai Services**

- Cosco-Shipyard Total Automation Co Ltd
Wärtsilä Propulsion Co. Ltd (Wuxi) – Thrusters, Bearings

Inauguration phase 2
November 2007

Employees: 179 (May 2010)
Inauguration Phase 2
June 2007
Joint Venture
Wärtsilä 55%
CSSC¹ 45%

Employees: 477 (May 2010)

Note: ¹ CSSC = China State Shipbuilding Corporation
Wärtsilä Qiyao Diesel Shanghai Co., Ltd. (Shanghai) - Auxpac 20 & 26

Note: 1 CSIC = China Shipbuilding Industry Corporation

Inauguration June 2006

Joint Venture
Wärtsilä 50%
CSIC 50%

Employees: 121 (May 2010)
Qingdao Qiyao Wärtsilä MHI Linshan Marine Diesel Co Ltd (Qingdao) - 2-stroke engines

**Inauguration April 2009**

Joint Venture
Wärtsilä 27%
CSIC\(^1\) 50%
MHI\(^2\) 23%

Employees: 435 (May 2010)

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Note: \(^1\) CSIC = China Shipbuilding Industry Corporation, \(^2\) Mitsubishi Heavy Industries
Wärtsilä’s ambitions in China

Defend our strong position in China and aggressively pursue further growth

- Clear leadership for certain vessel types
- Differentiated approach to customers
- Maximized synergies with Ship Design
- Improvements of competitiveness for auxiliary engines
- Further strengthening of local organization
- New JV for 4-stroke engine manufacturing will be in operation in 2013
The fundamentals show risks and opportunities

- Risks of downturn in global economy are tangible, also for Chinese economy
- High oil prices represent a risk towards global economic growth, however they also stimulate investments in exploration and production for oil and gas
- Expansion of emerging economies (including China) continues to support growth of demand for transportation of raw materials and energy

Highlights about the present

- Earnings are at very low levels
- Overcapacity continues to cast shadows in main merchant segments

The future brings interesting challenges!

- Ship owners base is shifting and increasingly Chinese
- Increasing interest in the market for gas applications, Chinese yards' interest in gas fuelled vessels increasing
- Increasing focus on energy efficiency and environmental performance
- Increased need for a total performance approach → ship design capabilities are crucial!
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