WÄRTSILÄ IN CHINA

Goldman Sachs Industrials China Tour

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This is Wärtsilä
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)
According to OECD, in the past state run groups owned 3/5 of China’s total shipbuilding capacity. Now the landscape is more diverse, and local privately owned companies account for the biggest share.

Source: Clarkson Research Services
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
Customer behavior: ship yards

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

<table>
<thead>
<tr>
<th>Feature</th>
<th>Wärtsilä</th>
<th>MAN</th>
<th>Caterpillar</th>
<th>Rolls Royce</th>
<th>Himsen</th>
<th>Other*</th>
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<td>Focus on gas as a fuel</td>
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<td>Optimized product portfolio</td>
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<td>Improved services network, offering and capabilities</td>
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<td>Amplified focus on developing economies</td>
<td>Brazil</td>
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<td>China and other SE Asia</td>
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<td>Increased capacity during boom years</td>
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<td>Using Ship Design capabilities as leverage</td>
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<td>Emission abatement as priority</td>
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<td>Increased focus on offshore</td>
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Ship Power’s strategy is an excellent framework for success

*Others include: Niigata, Yanmar, and other minor Asian players
China in the global shipbuilding context

Global order book (DWT), by ship building region

- China: 43%
- Japan: 32%
- Korea: 15%
- Other Asia: 6%
- Europe: 2%
- Rest of the World: 2%

Global contracting activity (DWT) 2011, by ship building region

- China: 49%
- Japan: 3%
- Korea: 42%
- Other Asia: 0%
- Europe: 2%
- Rest of the World: 4%
Uncertainty ahead?

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!
Wärtsilä in China today

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

- Wärtsilä Venture
- Wärtsilä CME Zhenjiang Propeller Co., Ltd.
- Wärtsilä Pihl (Wuxi) Co., Ltd.
- Wärtsilä China Ltd. (H.K)

- Wärtsilä China head quarters
  - Wärtsilä Services (Shanghai) Co Ltd
  - Wärtsilä Ship Design (Shanghai) Co Ltd
  - JV with Jiangsu CuiXing Marine Offshore Engineering Co. Ltd.
  - Wärtsilä Qiyao Diesel Shanghai Co., Ltd.
  - Wärtsilä Auxpac 20 and 26 gensets
  - Wärtsilä Propulsion (Wuxi) Co., Ltd.

- Wärtsilä Services (Shanghai) Co Ltd
  - Nansha Office

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

- Cosco-Shipyard Total Automation Co Ltd

- Wärtsilä Services
  - WCN Dalian Rep. Office
  - WCN Beijing Rep. Office
  - WCN Shangaiguan Services
  - Wärtsilä Qiyao Diesel Shanghai Co., Ltd.
  - Wärtsilä Auxpac 20 and 26 gensets
  - Wärtsilä Propulsion (Wuxi) Co., Ltd.
  - TTs, LCTs, seals & bearings and components

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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