

WÄRTSILÄ IN CHINA

KEVA trip to Shanghai

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7.11.2011

- What is Wärtsilä today?
- Where is ship building today?
- Why Wärtsilä is in China?
- What is Wärtsilä in China?

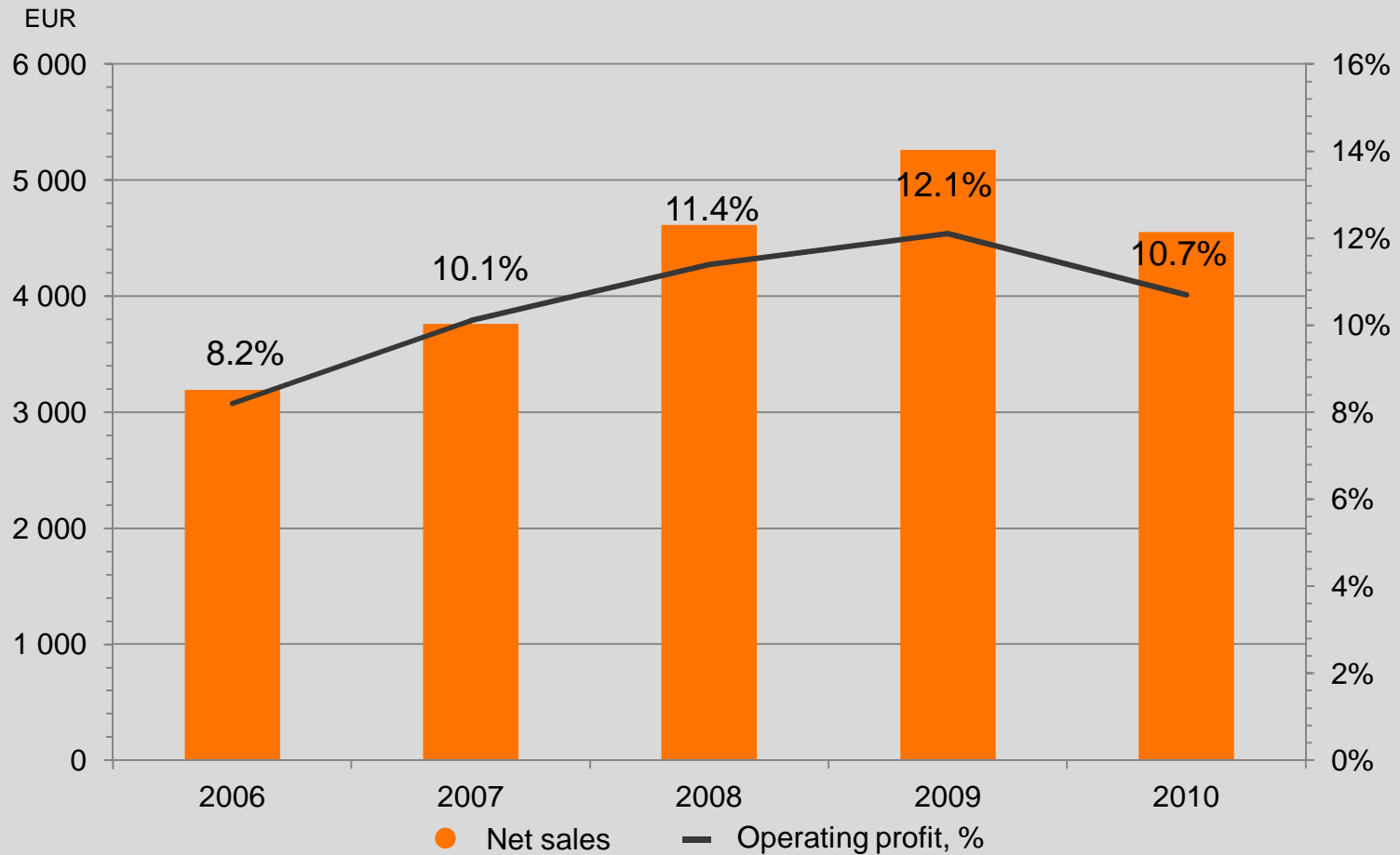
This is Wärtsilä

**SHIP
POWER**

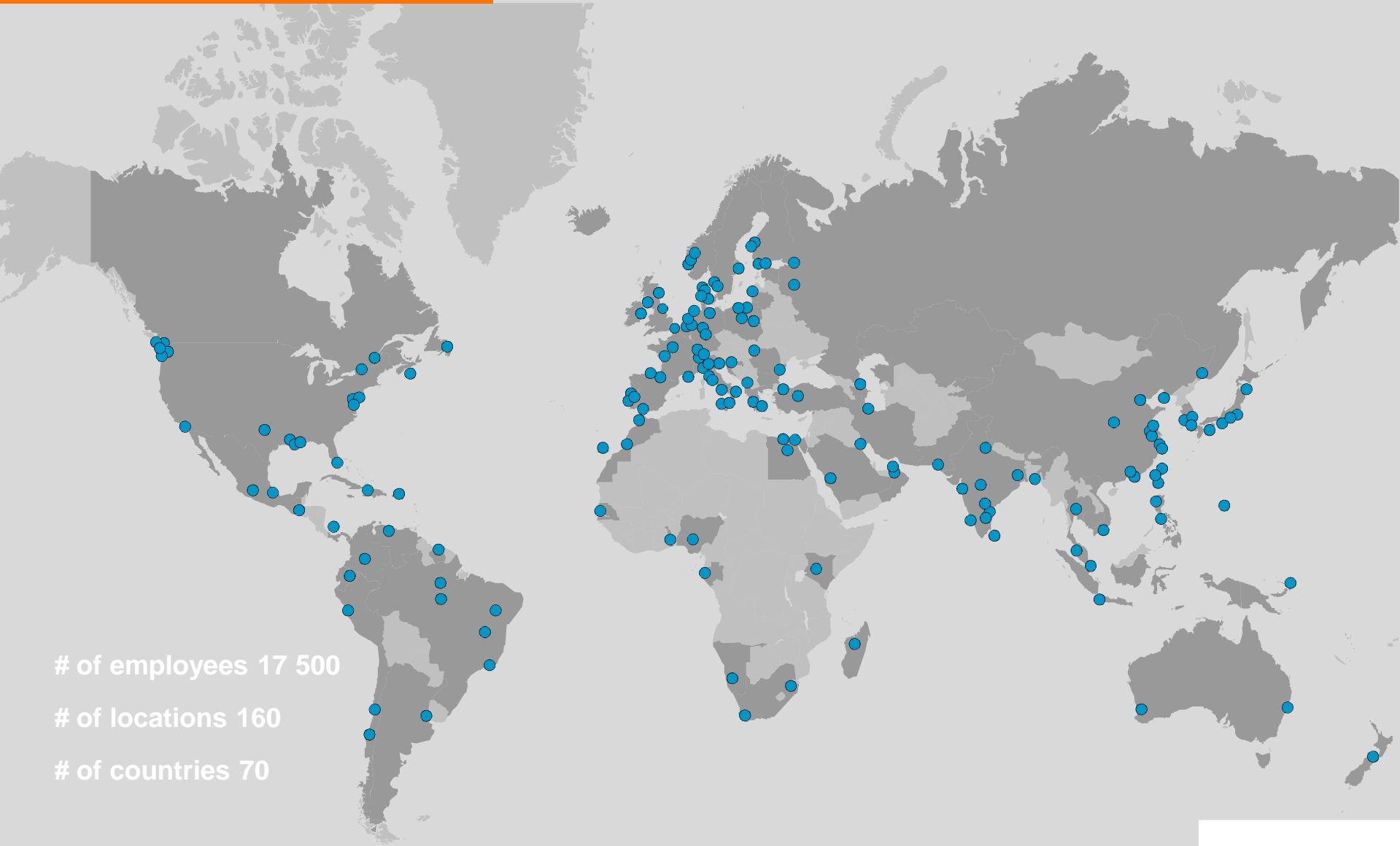
**POWER
PLANTS**

SERVICES

Net Sales and Profitability



Wärtsilä Globally



of employees 17 500

of locations 160

of countries 70



Wärtsilä Ship Power - covers all key shipping segments

Merchant



Offshore



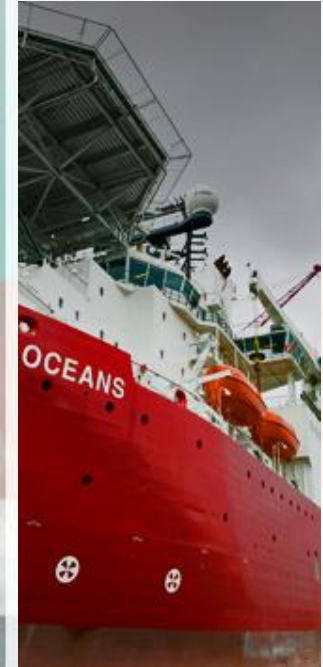
Cruise and Ferry



Navy

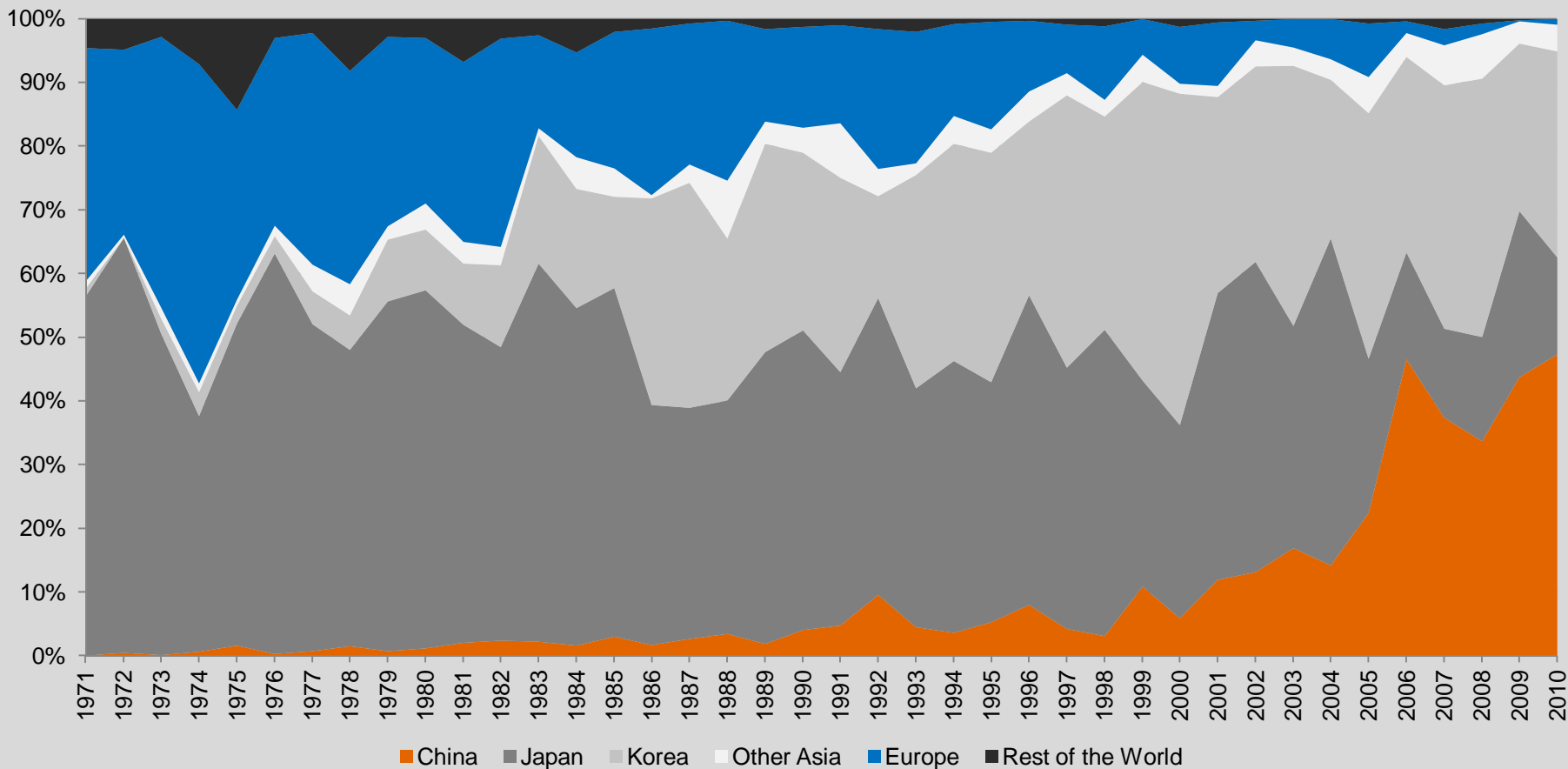


Special Vessels



China has gained the top builder position for merchant vessels

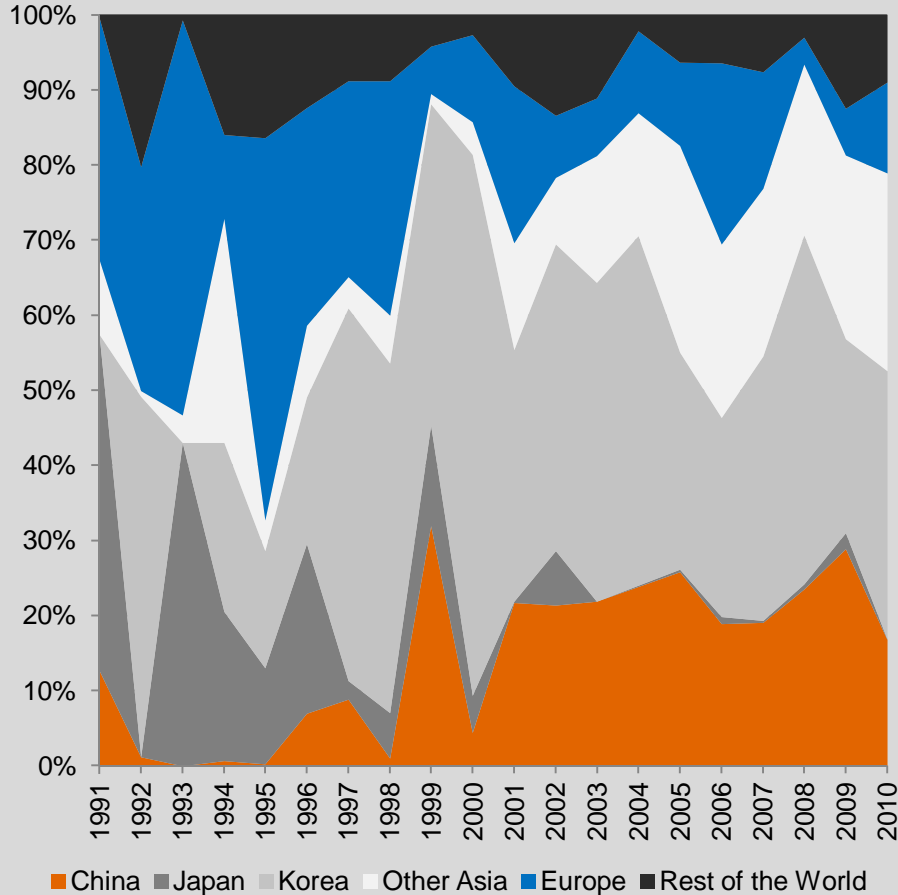
Merchant vessels: contracting volumes (DWT), share by region



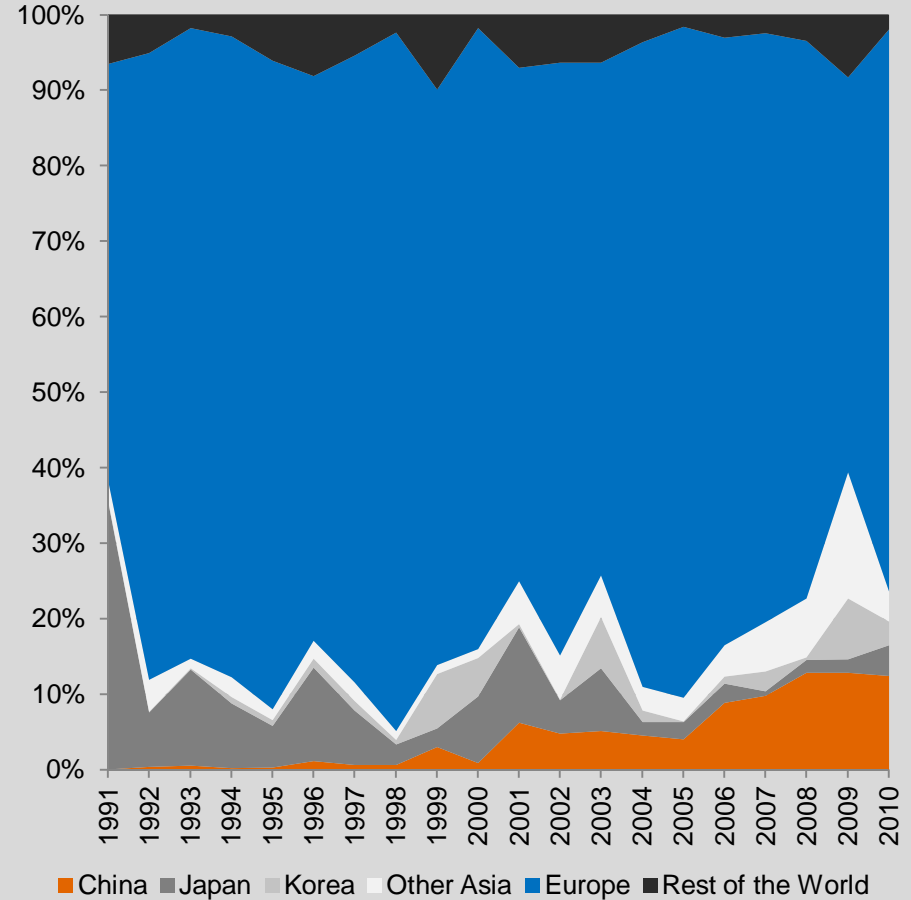
Source: Wärtsilä's Marine Market Database (MMDB)

...but is also pushing in other vessel segments

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



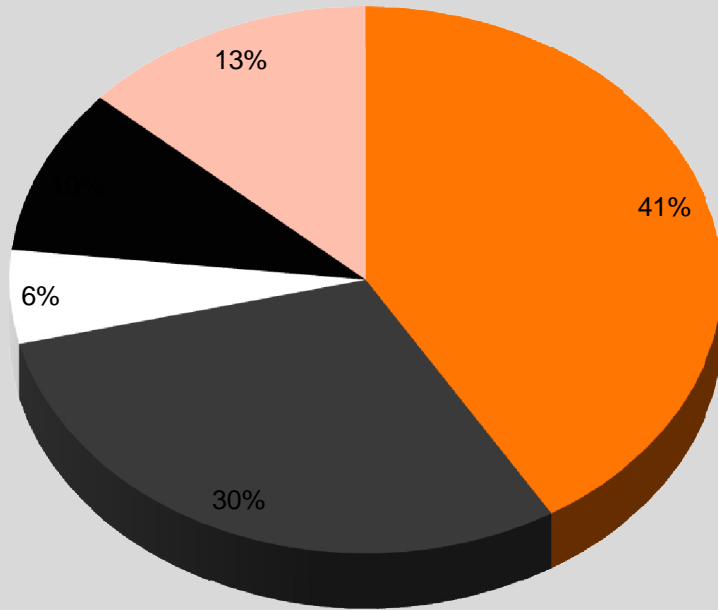
Special* vessels: contracting volume (GT), share by region



* Special includes: cruise, ferries (ropax and pax only), dredgers, and tugs
 Source: Wärtsilä's Marine Market Database (MMDB)

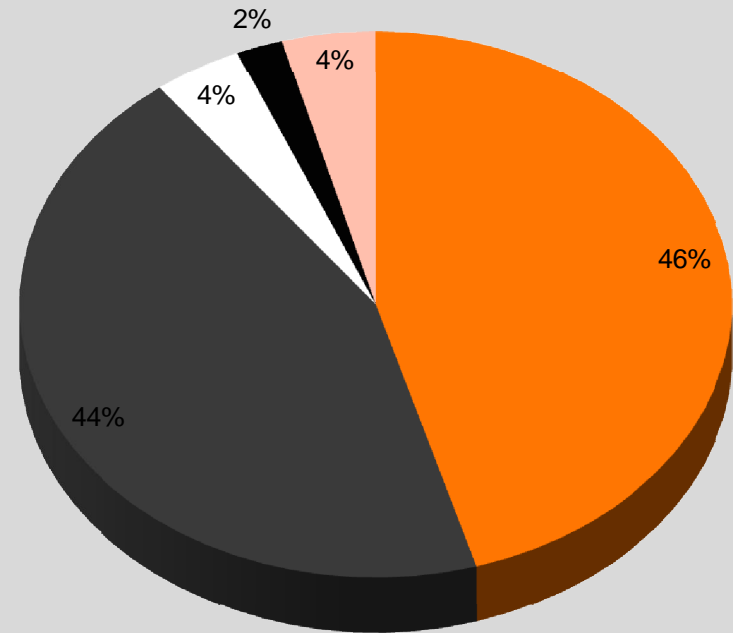
Contracting activity by ship building region

Number of vessels contracted 2011 (ytd)



China Korea Japan Europe Rest of World

DWT contracted 2011 (ytd)

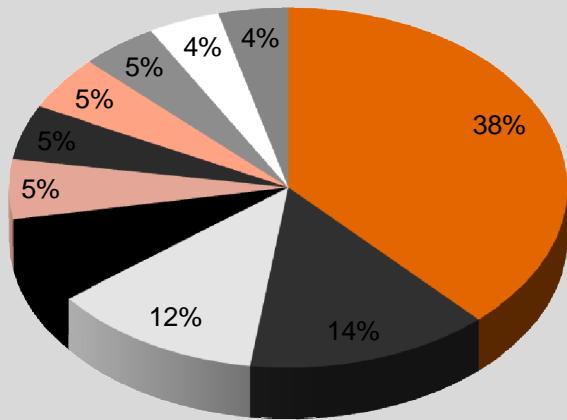


China Korea Japan Europe Rest of World

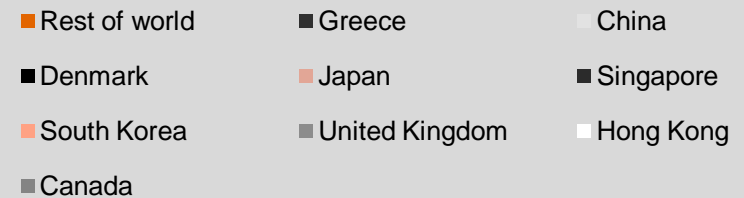
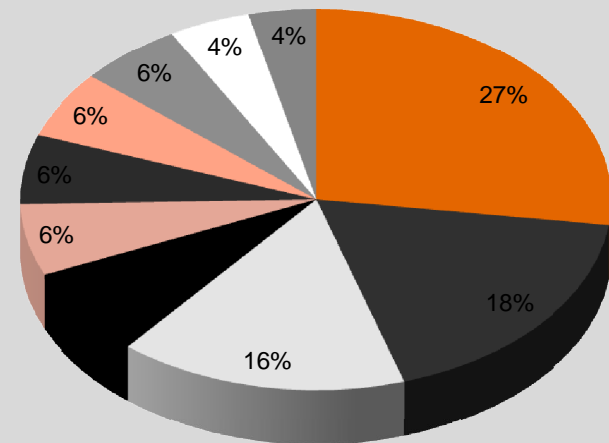
Source: Clarkson Research Services

Contracting activity - owners by region

Contracting by country, No. of vessels
2011 ytd



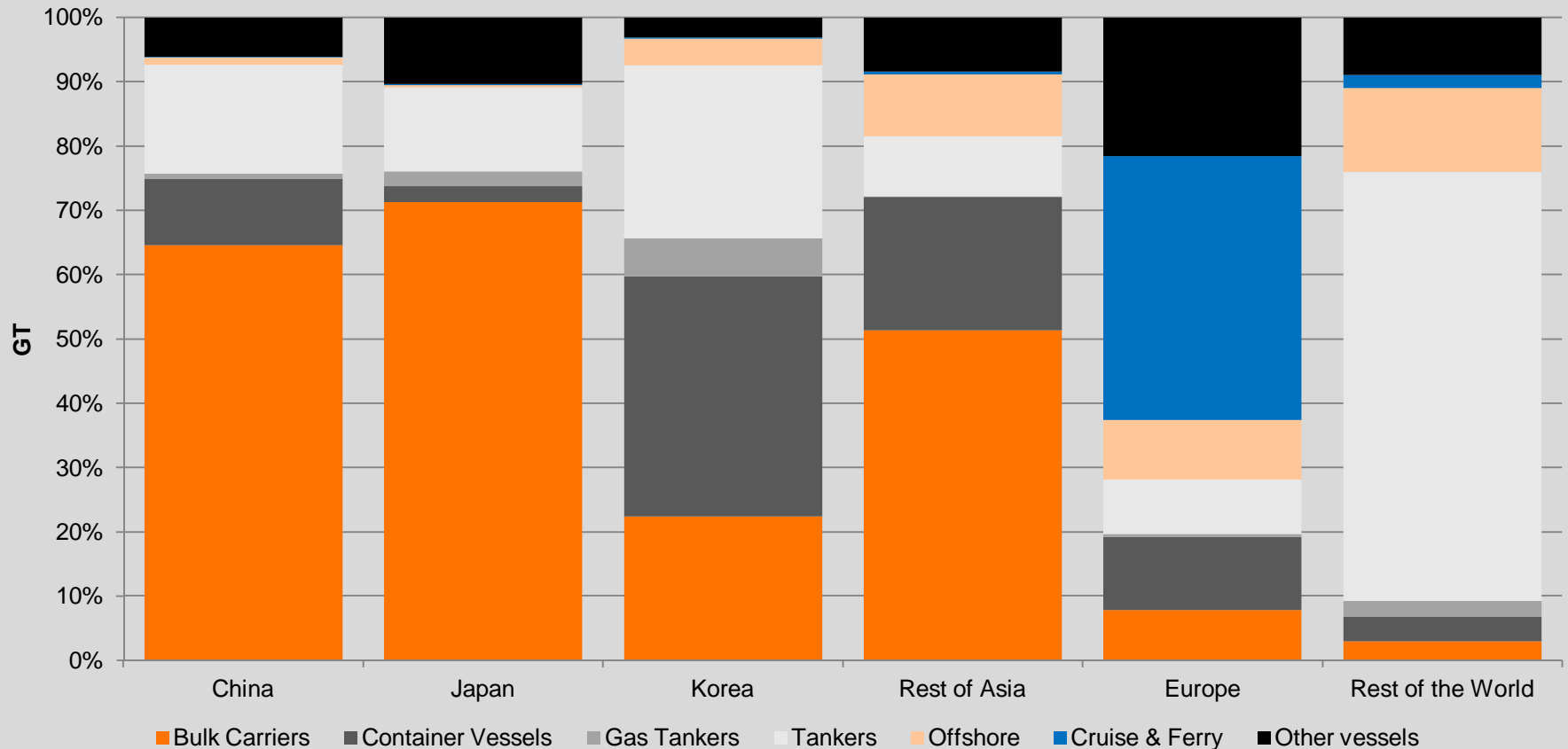
Contracting by country, DWT
2011 ytd



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

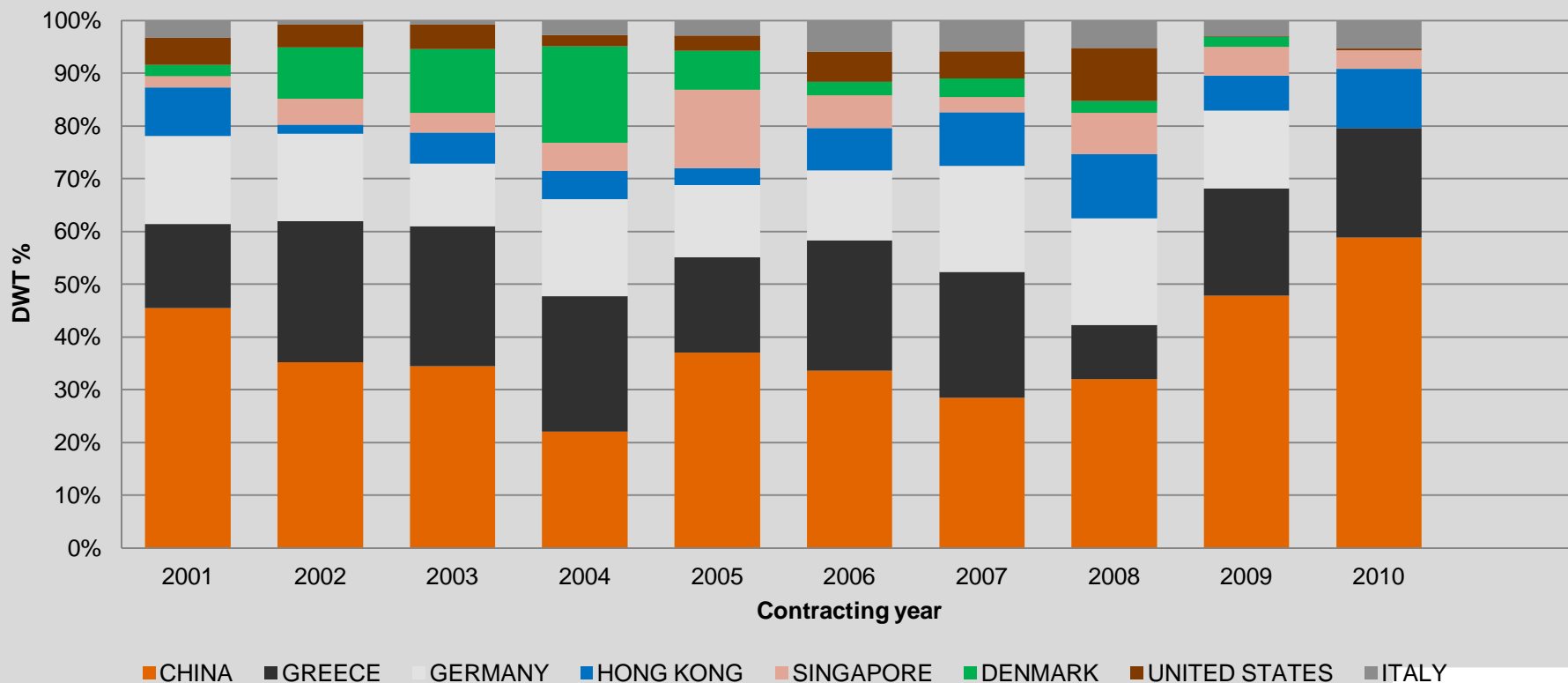


Customers behavior: ship owners

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 Shanhaiguan Services
 WCN Beijing Rep. Office

WCN Dalian Rep. Office

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

Wärtsilä CME Zhenjiang Propeller Co., Ltd.
 FPPs, shaft lines, blades and hubs

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

Cosco-Shipyard Total Automation Co Ltd

Wärtsilä China head quarters
 Wärtsilä Services (Shanghai) Co Ltd
 Wärtsilä Ship Design (Shanghai) Co Ltd

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

Wärtsilä Propulsion (Wuxi) Co., Ltd.
 TTs, LCTs, seals & bearings and components

Wärtsilä Services (Shanghai) Co Ltd
 Nansha Office

Wärtsilä China Ltd. (H.K.)



Wärtsilä Propulsion Co. Ltd (Wuxi) – Thrusters, Bearings



***Inauguration phase 2
November 2007***

Employees: 179 (May 2010)

Wärtsilä CME Zhenjiang Propeller Co., Ltd. (Zhenjiang) - FPP , CPP

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



Inauguration June 2006

Joint Venture

Wärtsilä 50%

CSIC¹ 50%

Employees: 121 (May 2010)

Note: ¹ CSIC = China Shipbuilding Industry Corporation

Qingdao Qiyao Wärtsilä MHI Linshan Marine Diesel Co Ltd (Qingdao) - 2-stroke engines

Inauguration April 2009

Joint Venture

Wärtsilä 27%

CSIC¹ 50%

MHI² 23%

Employees: 435 (May 2010)



Note: ¹ CSIC = China Shipbuilding Industry Corporation, ² Mitsubishi Heavy Industries

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

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!





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