

# **WÄRTSILÄ IN CHINA**

**Goldman Sachs Industrials China Tour**

**TIMO KOPONEN**

**VICE PRESIDENT, FINANCE & CONTROL, SHIP POWER**

**21.9.2011**

# This is Wärtsilä

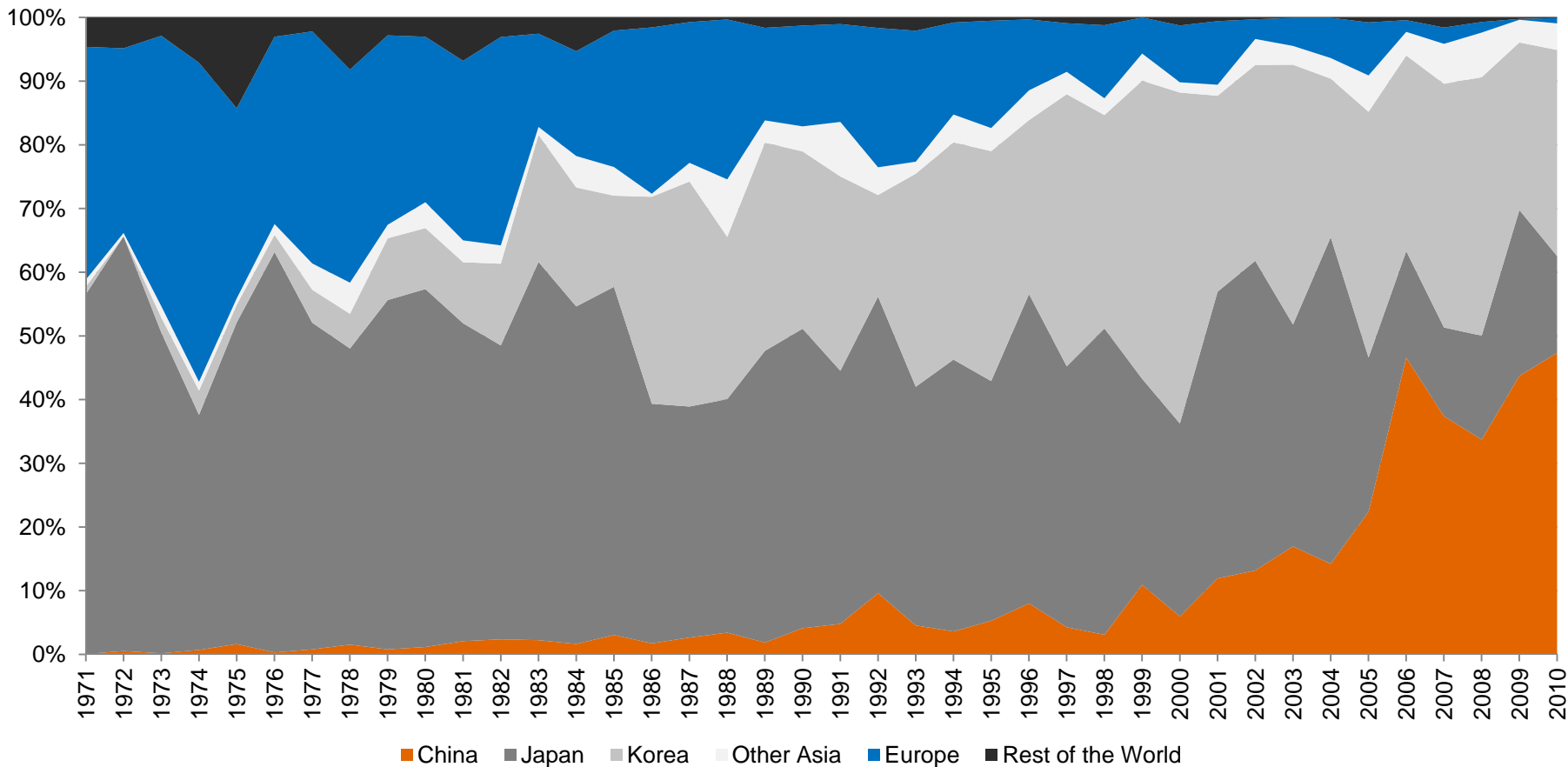
SHIP  
POWER

POWER  
PLANTS

SERVICES

# China has gained the top builder position for merchant vessels

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

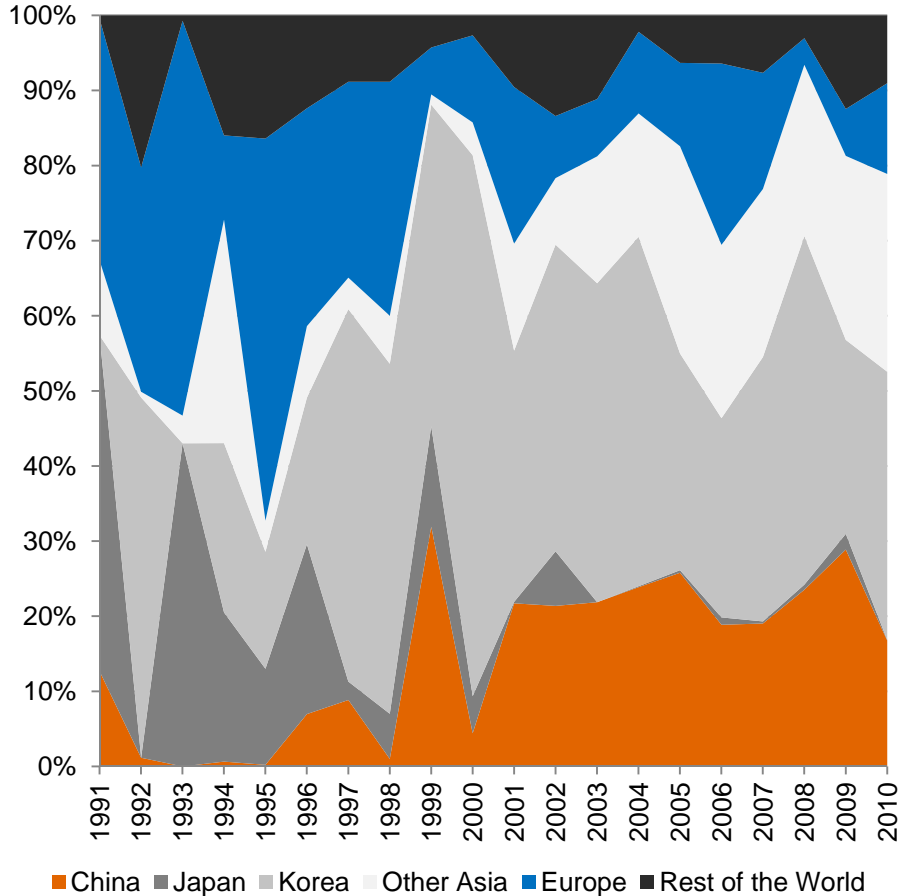


Source: Wärtsilä's Marine Market Database (MMDB)

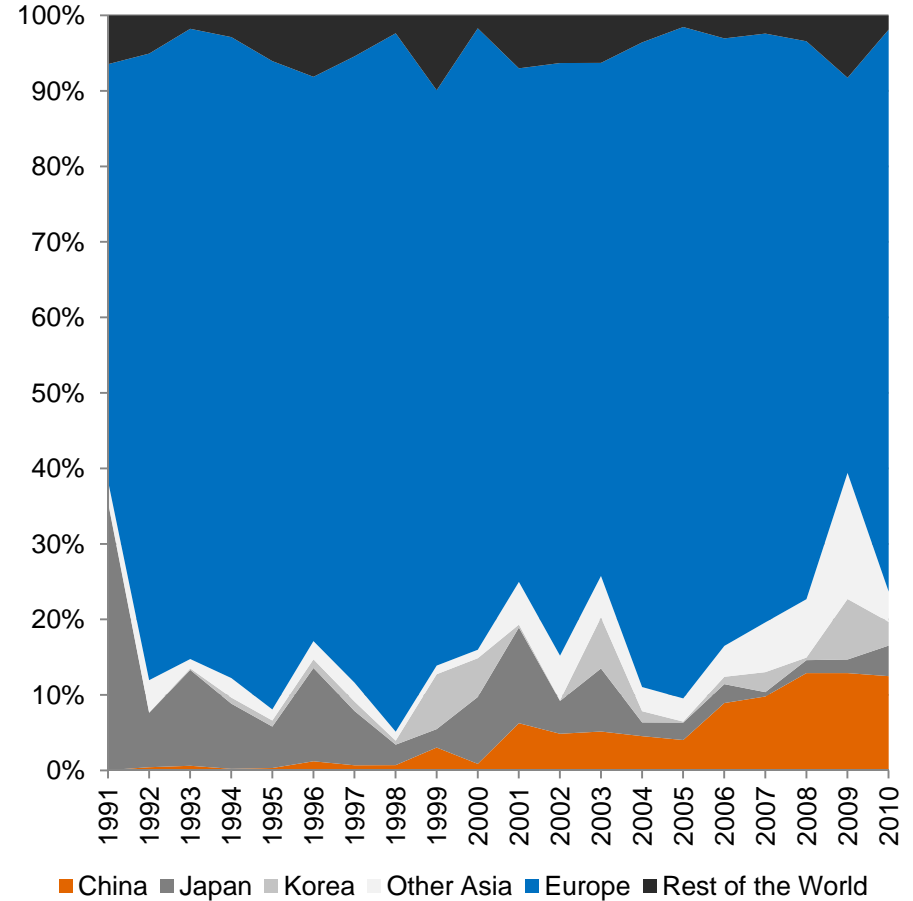


# ...but is also pushing in other vessel segments

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



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

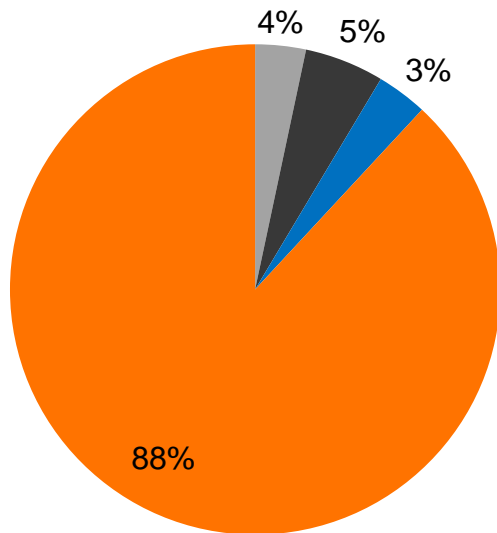


\* Special includes: cruise, ferries (ropax and pax only), dredgers, and tugs  
 Source: Wärtsilä's Marine Market Database (MMDB)

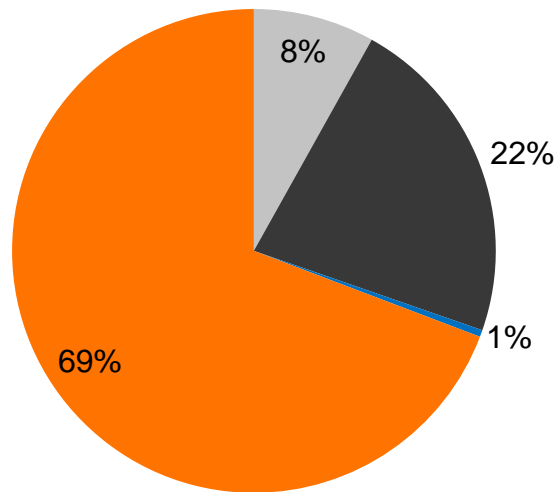
# Ship yard landscape in China

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

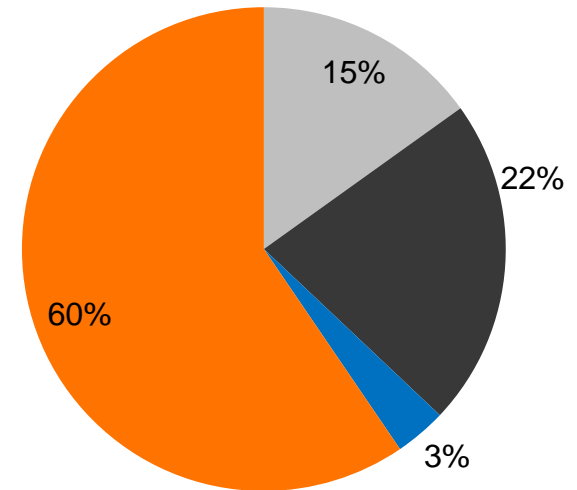
### Number of yards



### 2011 Contracting, DWT



### Order book, DWT



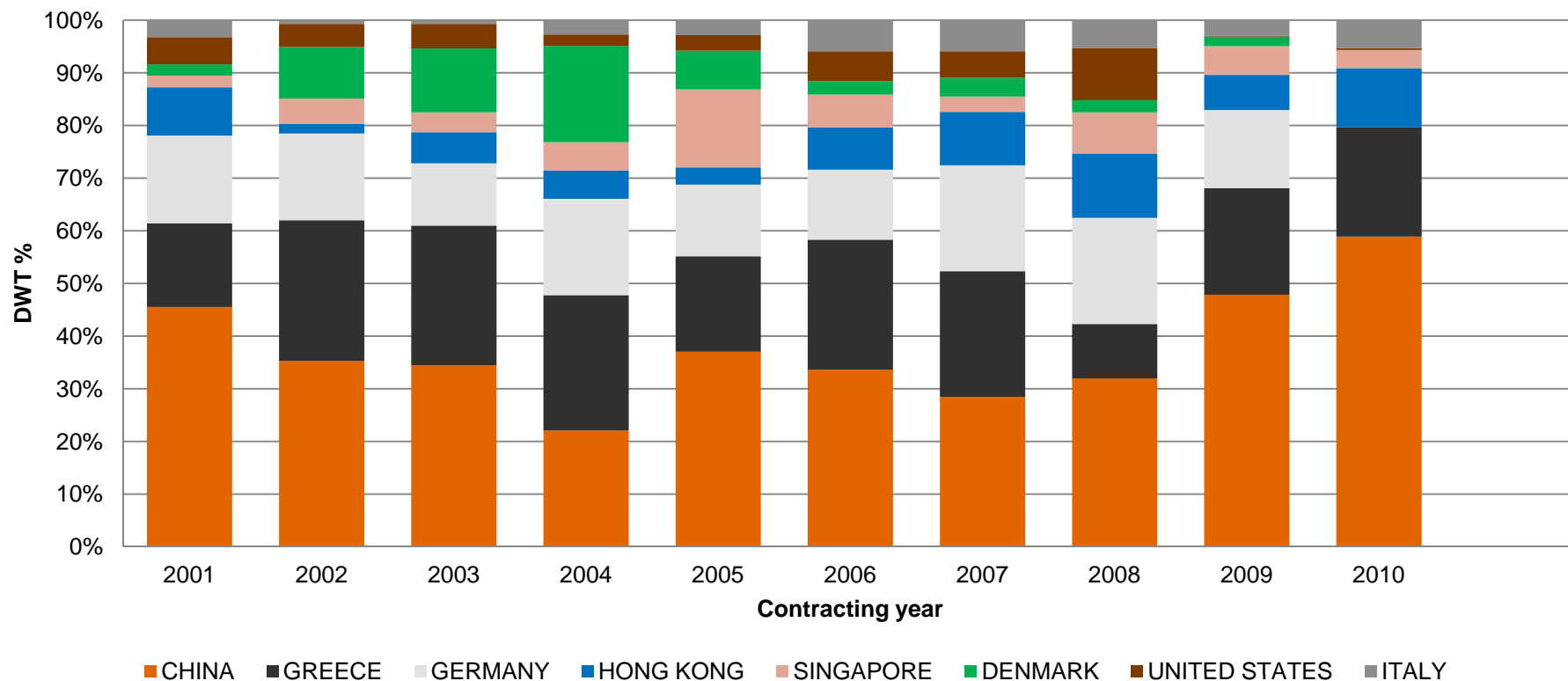
■ CSIC ■ CSSC ■ JV ■ Local

# 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

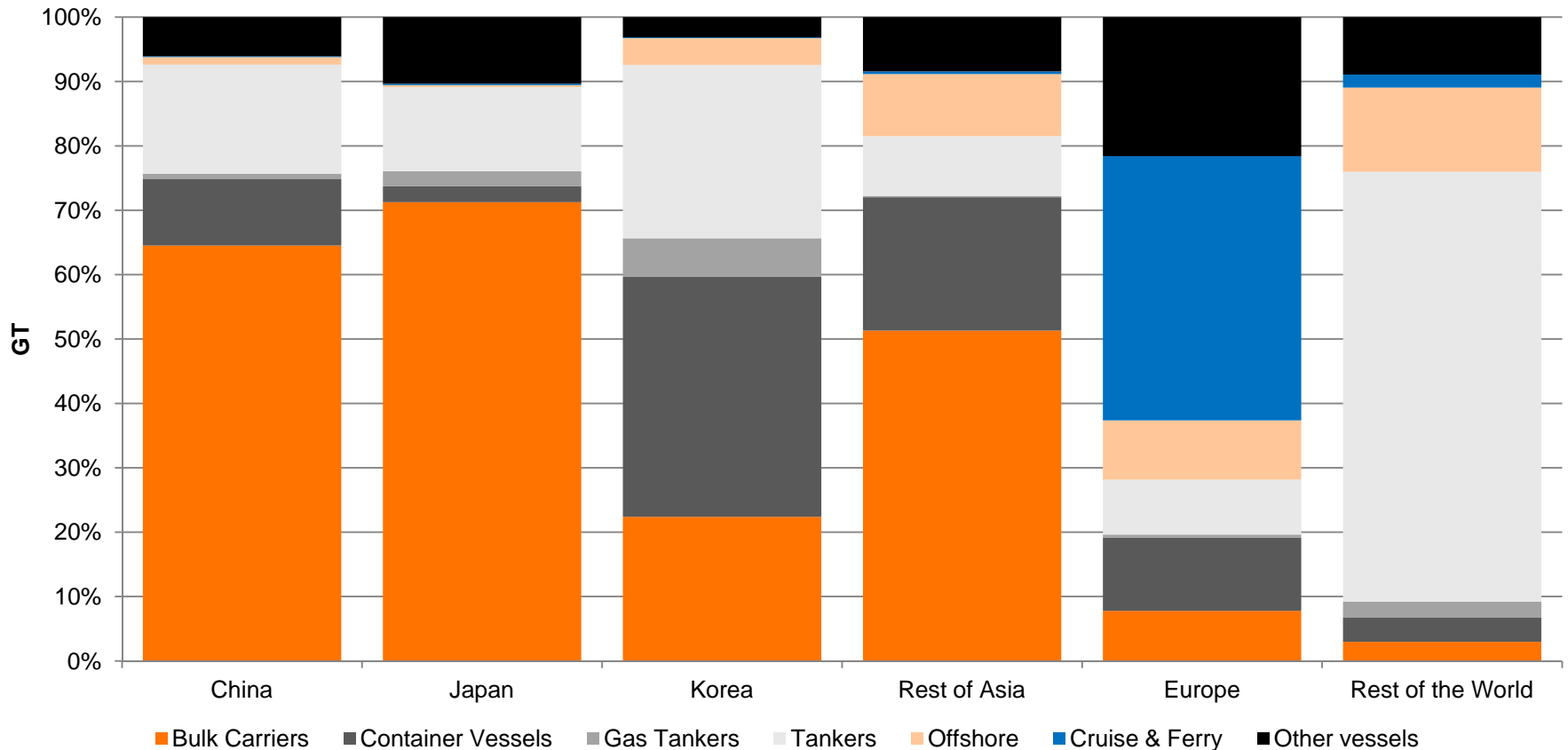


Source: Marine Market Database

# Customer behavior: ship yards

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

Order book mix by shipbuilding region



# Competitive landscape is tough!

		Wärtsilä	MAN	Caterpillar	Rolls Royce	Himsen	Other*
Focus on gas as a fuel		●	●		●	●	
Optimized product portfolio		●	●			●	●
Improved services network, offering and capabilities		●	●				●
Amplified focus on developing economies	Brazil	●	●				●
	China and other SE Asia	●			●	●	●
Increased capacity during boom years		●	●	●	●	●	●
Using Ship Design capabilities as leverage		●			●		●
Emission abatement as priority		●		●			●
Increased focus on offshore		●		●	●	●	●

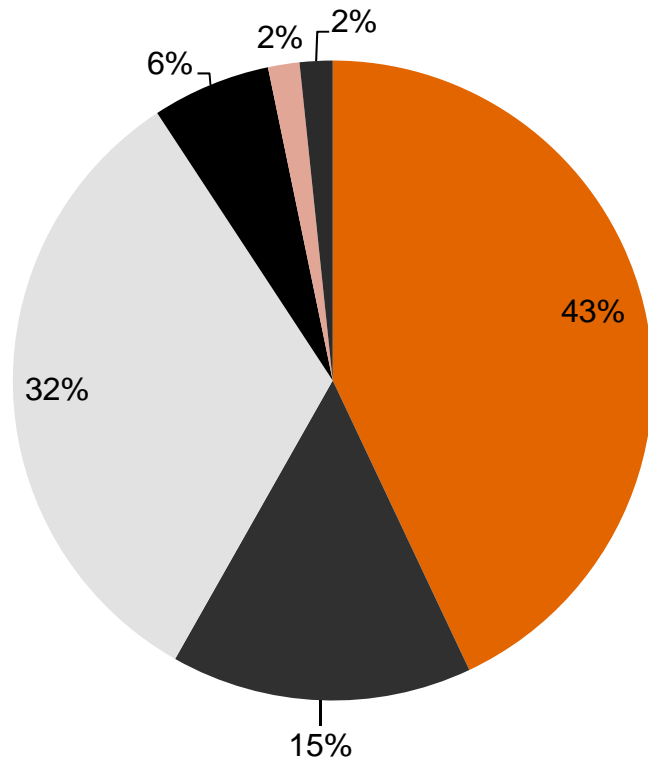
Ship Power's strategy is an excellent framework for success

\*Others include: Niigata, Yanmar, and other minor Asian players



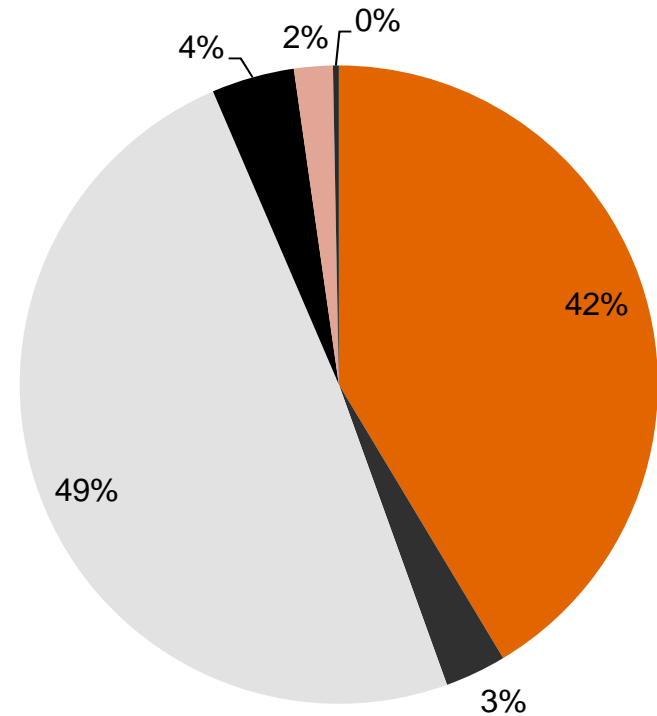
# China in the global shipbuilding context

Global order book (DWT),  
by ship building region



■ China ■ Japan ■ Korea ■ Other Asia ■ Europe ■ Rest of the World

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



■ China ■ Japan ■ Korea ■ Other Asia ■ Europe ■ Rest of the World

# 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

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

Cosco-Shipyard Total Automation Co Ltd

## 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.

TTs, LCTs, seals & bearings and components

Wärtsilä Services (Shanghai) Co Ltd  
Nansha Office

Wärtsilä China Ltd. (H.K.)



# 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



# WÄRTSILÄ

IR Contact:

Pauliina Tennilä

Director, Investor Relations

Tel. +358 (0) 40 570 5530

E-mail: [pauliina.tennila@wartsila.com](mailto:pauliina.tennila@wartsila.com)

**WARTSILA.COM**