

EXPERIENCES FROM ACQUISITION PROGRAMS – A PRACTITIONERS VIEW

**PER HANSSON
VP, CORPORATE PLANNING**

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Wärtsilä is a leading diesel engine maker

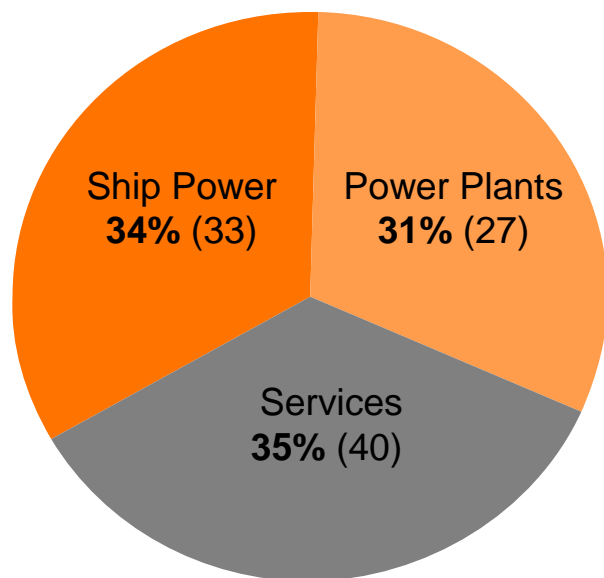
- We have 175 years of experience in power generation on land and at sea
- We employ close to 18,000 people across the globe
- Every third ship sailing the oceans is powered by Wärtsilä
- Our power plants produce 1% of the world's energy
- We provide services 24/7 globally



2009 was a strong year financially

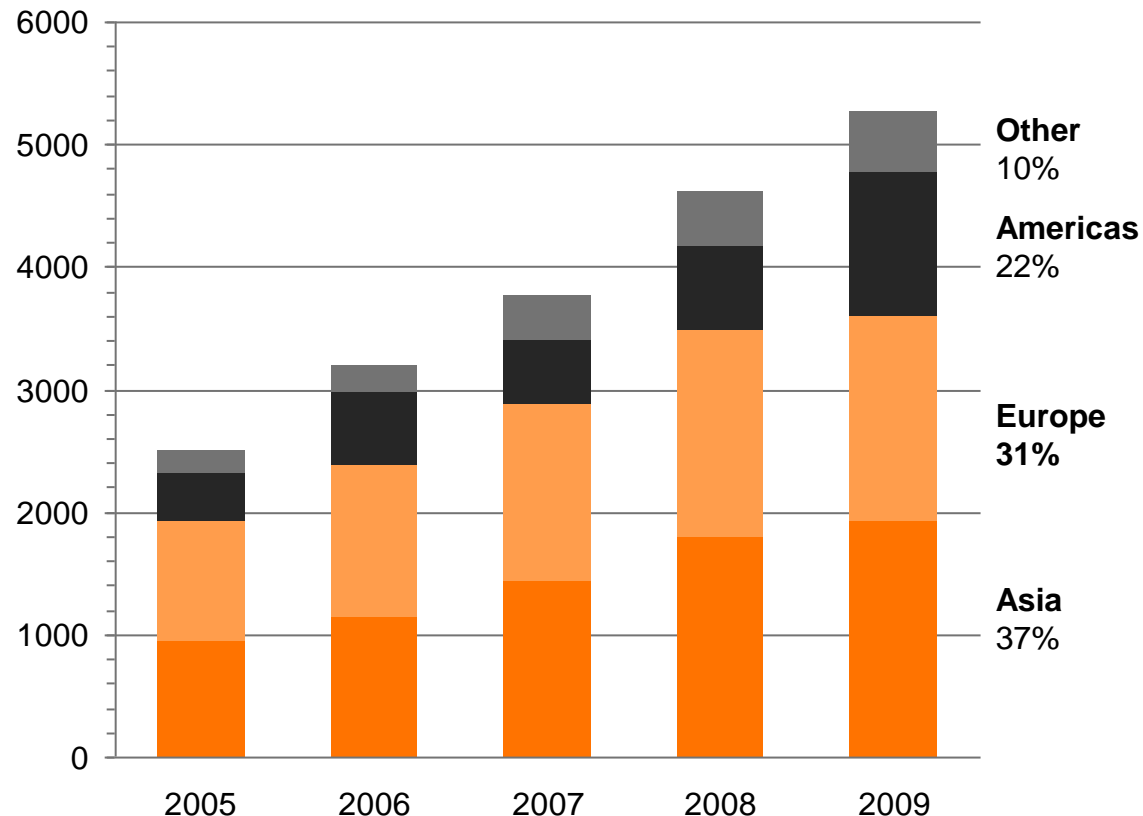
Net sales by business 2009

TOTAL = EUR 5 260 millions



Net sales by market area 2009

EUR millions



Wärtsilä Ship Power has the most extensive product portfolio in the marine industry

Supported by acquisitions



Engines Propulsion Seals & Bearings Automation Power Distribution Power Drives



Merchant



Offshore



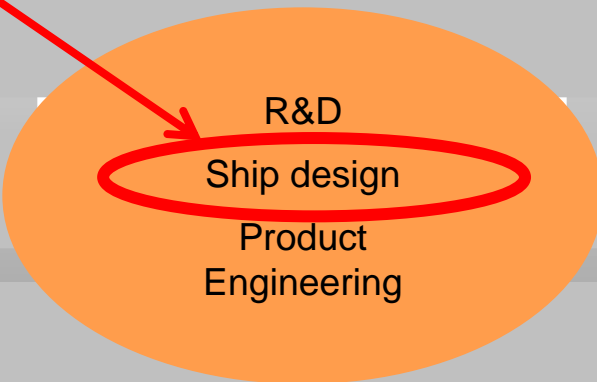
Cruise & Ferry



Navy



Special vessels

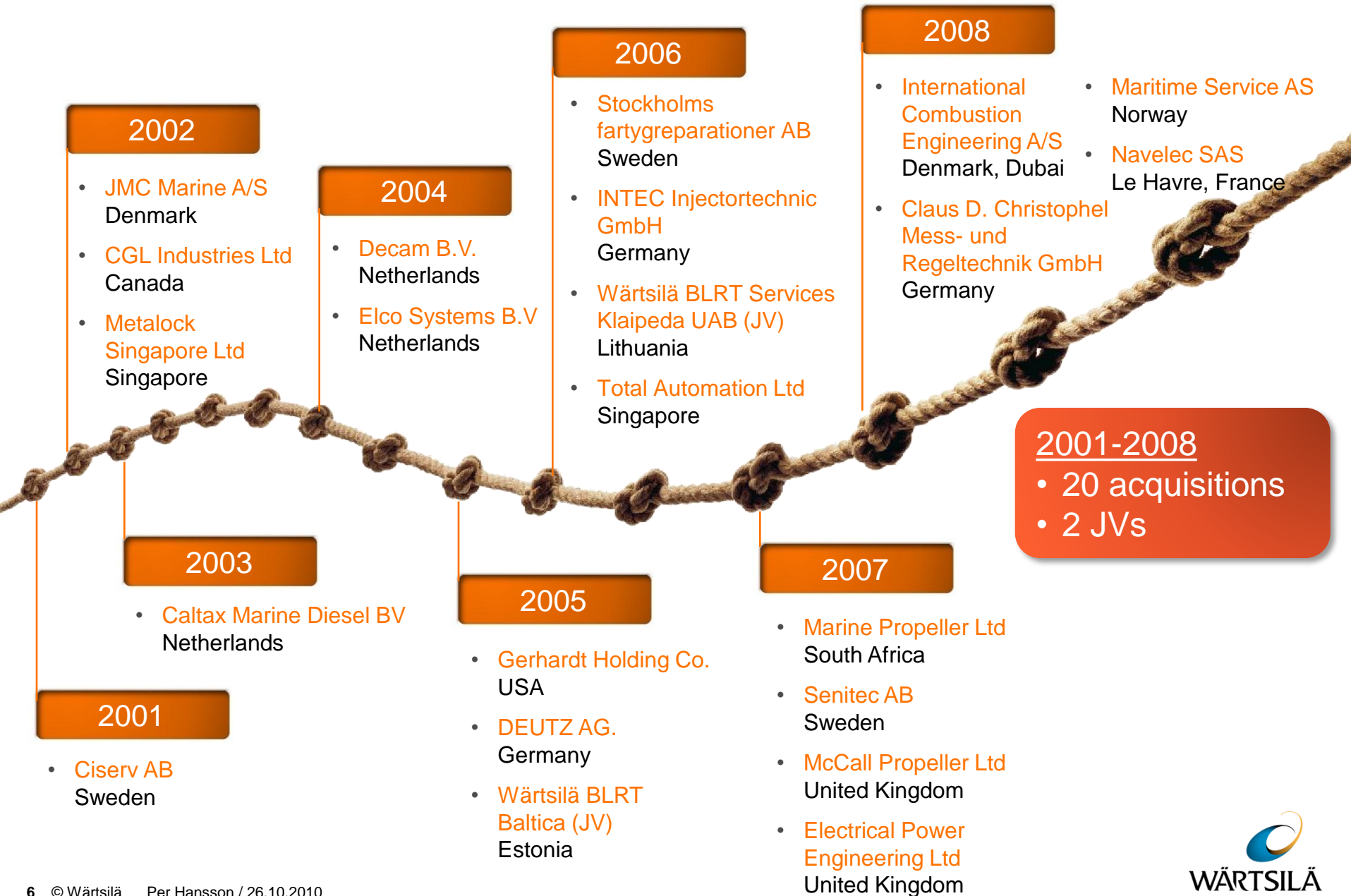


Wärtsilä Services has an extensive network

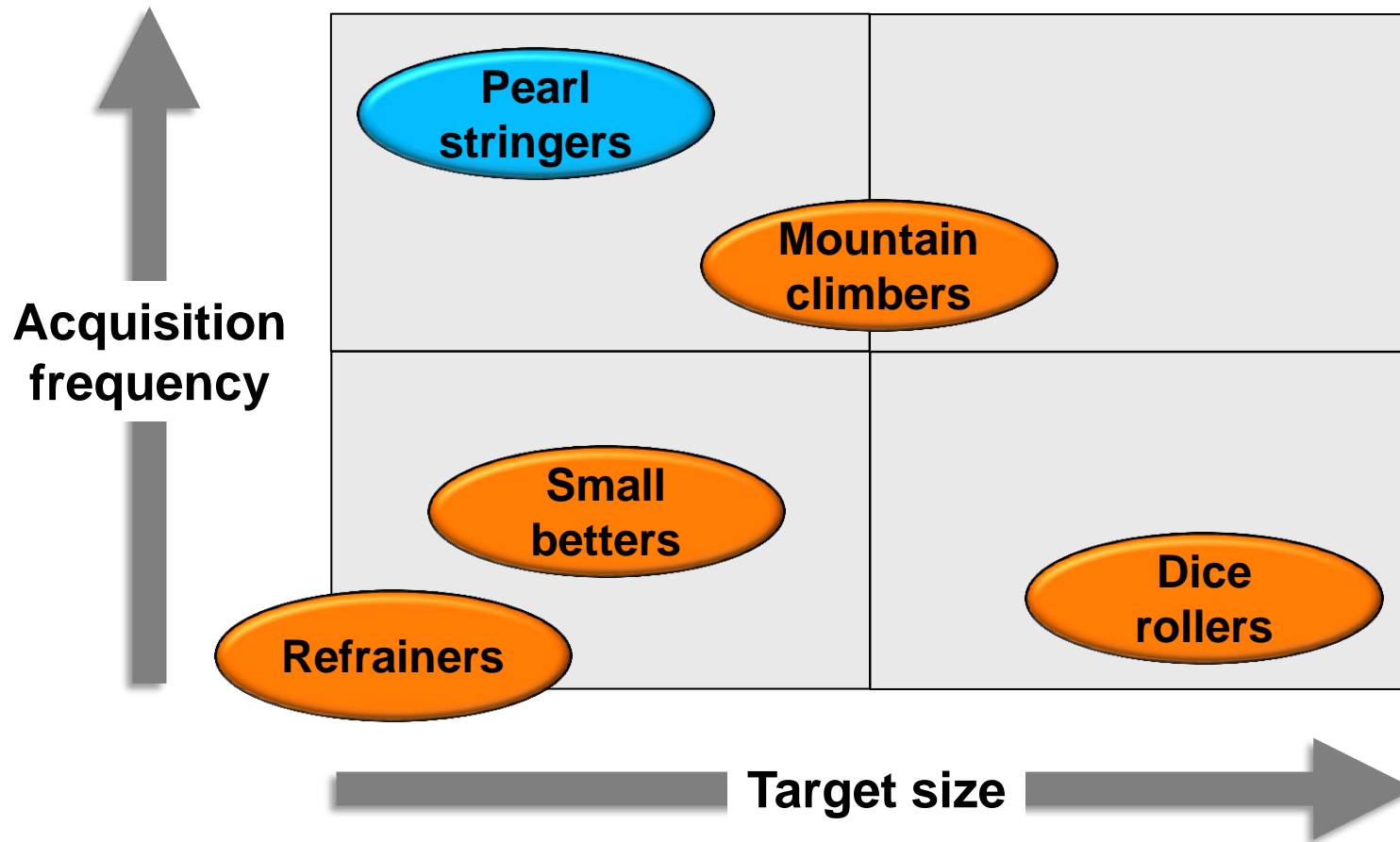
70 countries • > 160 locations • > 11'000 people • > 7'000 field service forces



Services Acquisitions & Joint Ventures 2001 – 2008

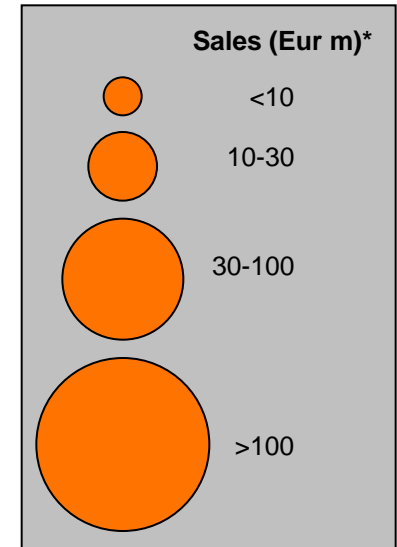
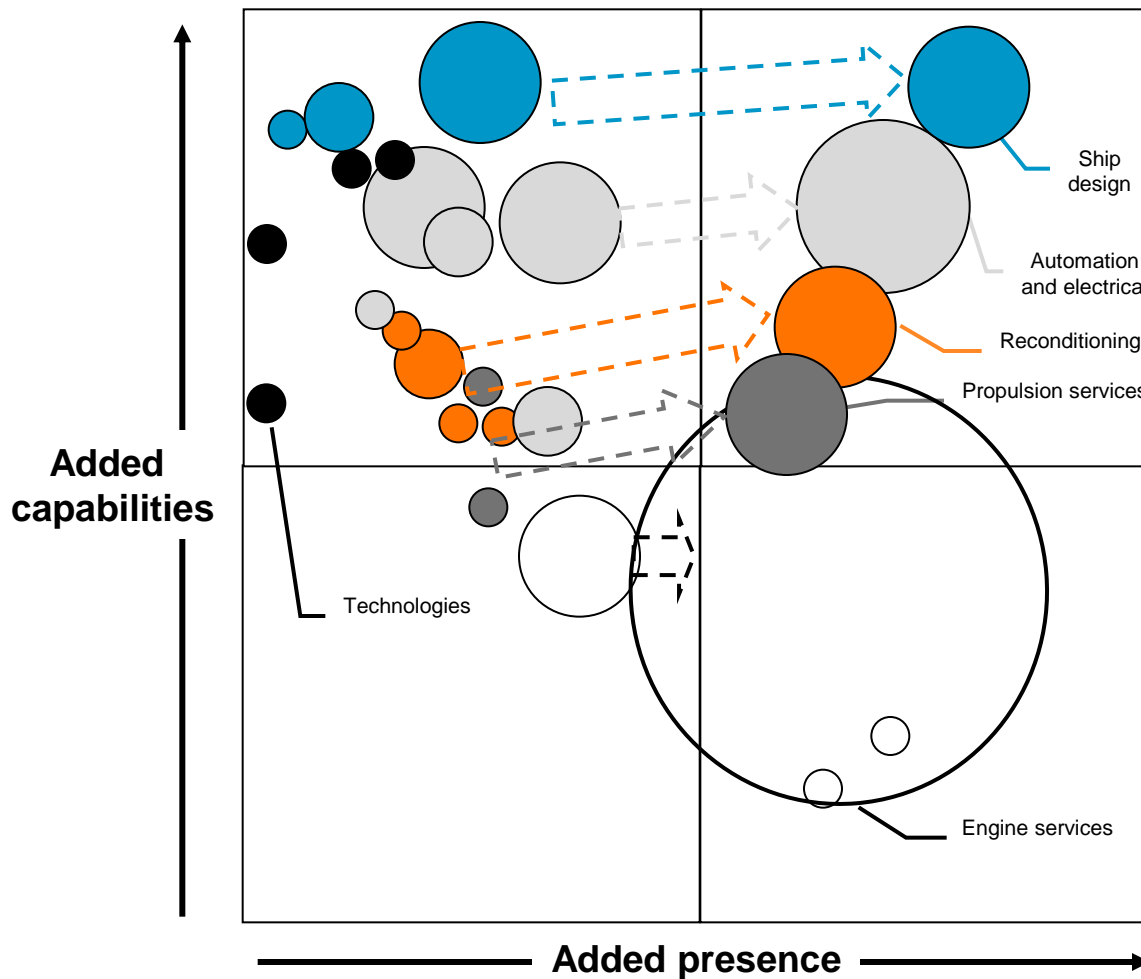


Wärtsilä has been a 'pearl stringer'



Acquisitions have extended our traditional business

Development to date of selected acquisitions (2001 – 2008)



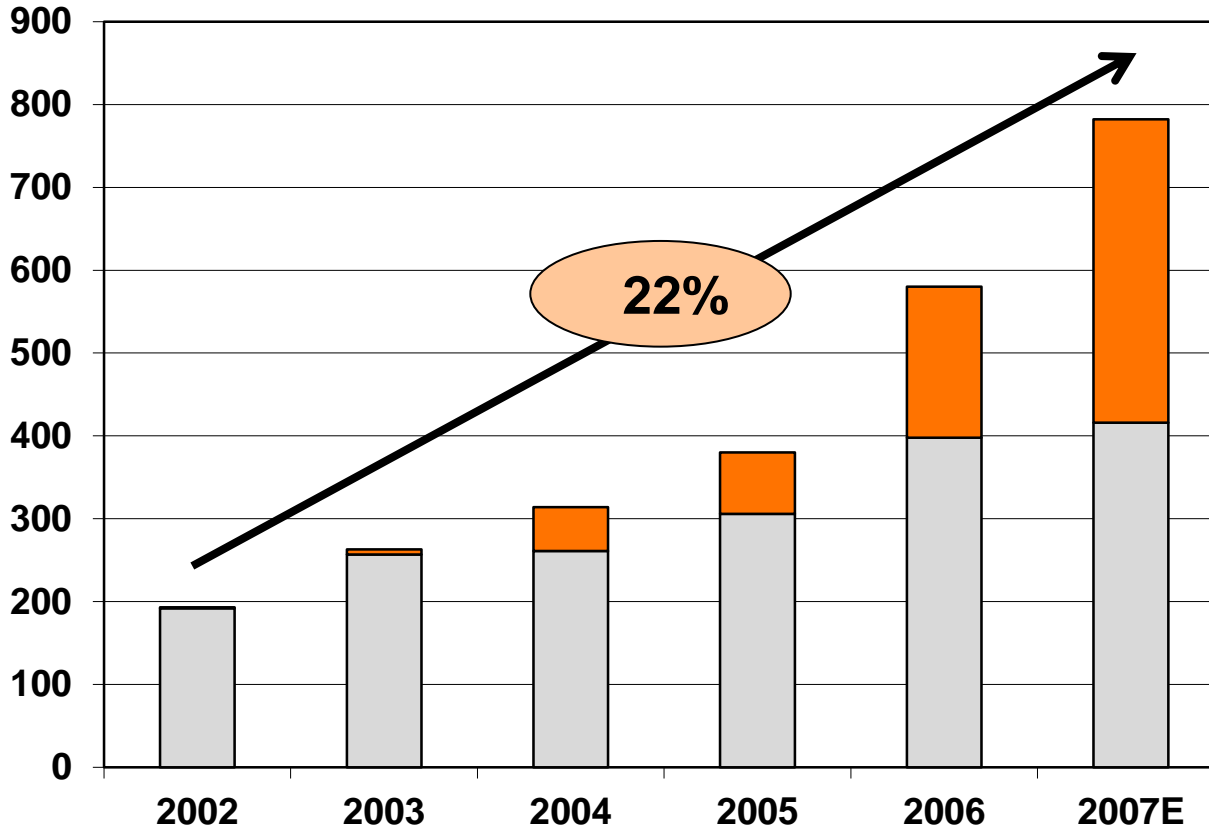
- Local leading enterprises consolidated and grown further in size and reach to create global business lines
- Systems and processes to support development and synergy realization

* Annualized; at time of acquisition

** Integrated to enhance broader offering globally

We have succeeded to accelerate growth

Sales
EUR millions



■ Growth of acquisitions (cumul.)
■ New acquisitions (cumul.)

- Organic growth of acquisitions has averaged 22% per annum, Wärtsilä overall (excl. acquisitions) 8%
- 2007, acquisitions contributed 20%, a substantial amount, of Wärtsilä's sales

Note: Includes the following transactions: John Crane Lips, Ciserv Gothenburg, Metalock Singapore, CGL, JMC, Caltax, Ciserv Baltica (JV), Decam, Deutz Marine Services, Gerhardt, Akpas, and Total Automation

Some experiences from acquisitions

Success is an elusive target...

- The success of an acquisition is often hard to measure exactly
- It is even harder to predict
- Processes and practices *help* to do the right things and to spot problems

...requiring good preparation:

- A practical and executable acquisition business plan
- A solid acquisition process
- Committed and accountable people in key positions (business & transaction)
- The target enterprise added into the right place in the acquiring organization
- Being staffed and prepared to deal with the (inevitable) surprises *and to learn*

Some takeaways from acquisition programs

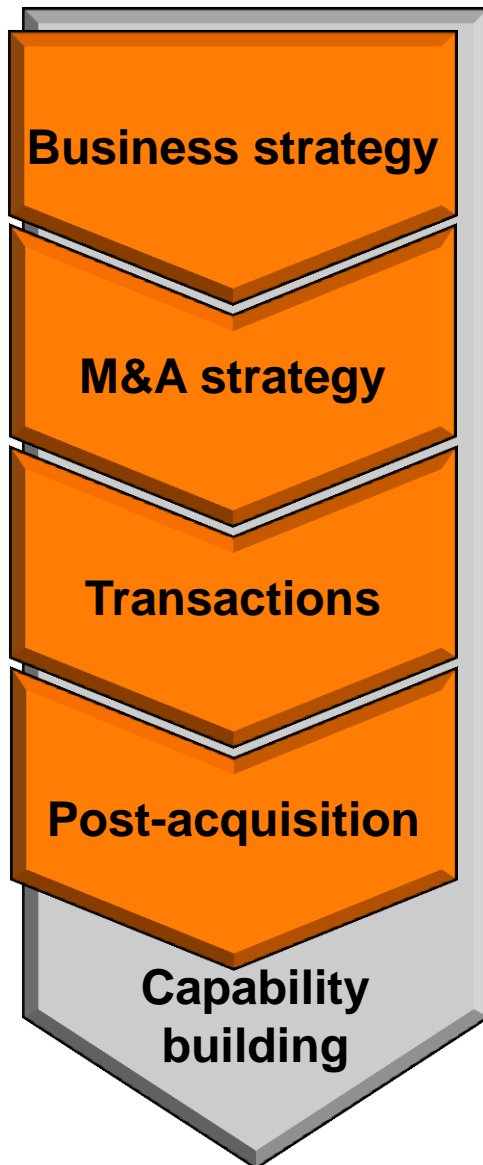
Why acquisition programs

- Spread risk – avoid "rolling the dice"
- Enabler (or pre-requisite!) for meaningful growth strategies in fragmented sectors
- Better potential for value creation?

What you need to manage

- An *additional* level of complexity – require specific new capabilities
- *Programs* need to be managed (not only the individual deals)
- Executing programs takes longer – agility & persistence!
- Organizationally more difficult
 - 2 more integration dimensions
 - Resources
 - Management attention

Build the capabilities required for acquisition programs



- Know if acquisition programs are a suitable tool

- Design for a string of acquisitions – not single deal(s)
- Assess feasibility and potential

- Process the flow: identification, selection, resourcing
- Program-level management
- Agile & persistent execution

- Integration planning and management
- Value capture on program level

- Program-level capabilities
- Differentiate capabilities by program

