

# Capital Market Days 2011

## August 23 - 24

Oerlikon Coating  
Dr. Hans Brändle

August 23, 2011



**1** Did you know?

**2** Technological Leadership

**3** Markets & Customers

**4** Operational Excellence

**5** Tactics & Financials

**6** Summary

# Did you know?

## F1 Engine



F1 engines wouldn't run without PVD coatings. Many parts are made from titanium which wears easily. With BALINIT-coatings these are protected properly.

## Diesel Injection Pump



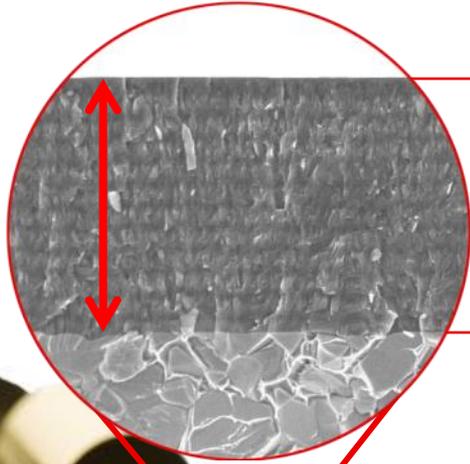
In order to meet standards for environmentally friendly cars, injection pressure is increased over 2000 bar – only possible with coated mechanical parts.

## Coated Mould



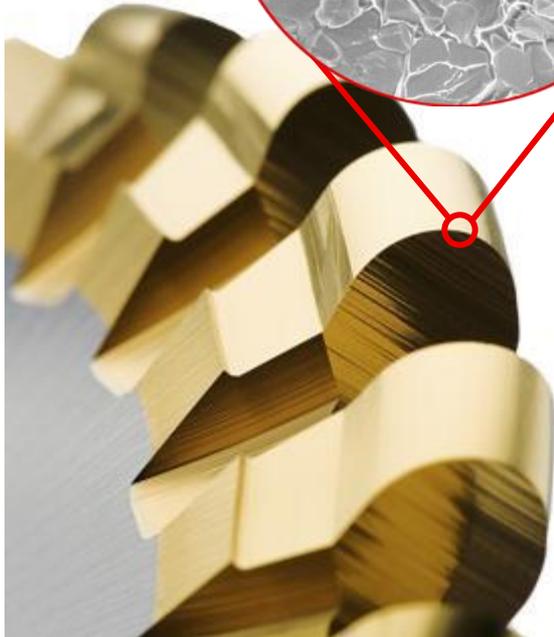
PET bottle preforms are produced in coated moulds. 25% of all plastic bottle caps worldwide are produced with Oerlikon Balzers coated moulds.

# Oerlikon Balzers – the global leader in advanced thin-film solutions

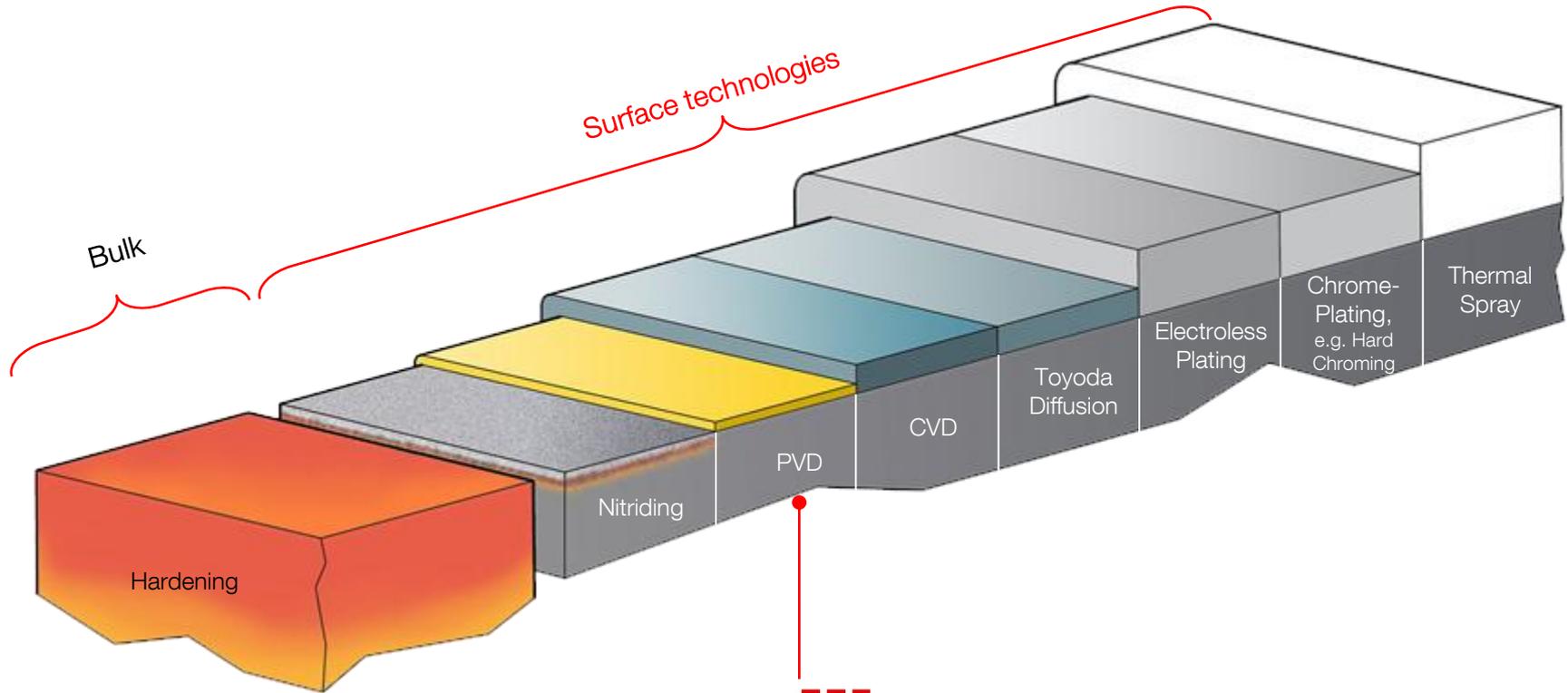


Coating applied on surfaces is only a **few thousandths of a millimetre thick** and **harder than steel**

- protects tools and components
- increases performance and service life
- lowers production costs
- boosts productivity and ROI



# Megatrend towards clean advanced surface solutions

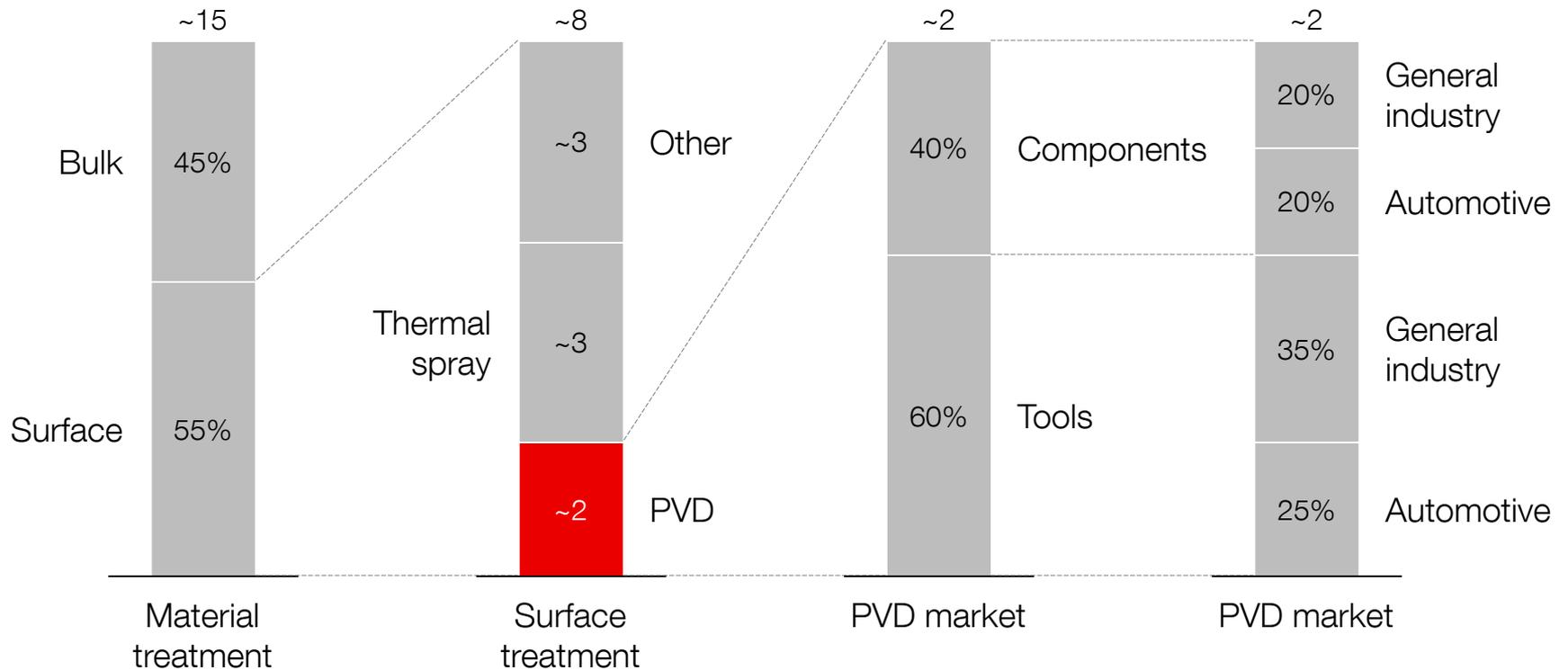


**oerlikon**  
balzers

# Coating core PVD market totals ~CHF 2 bn

## Largest exposure to automotive

Estimated commercial market size (CHF bn, %)



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**2** Technological Leadership

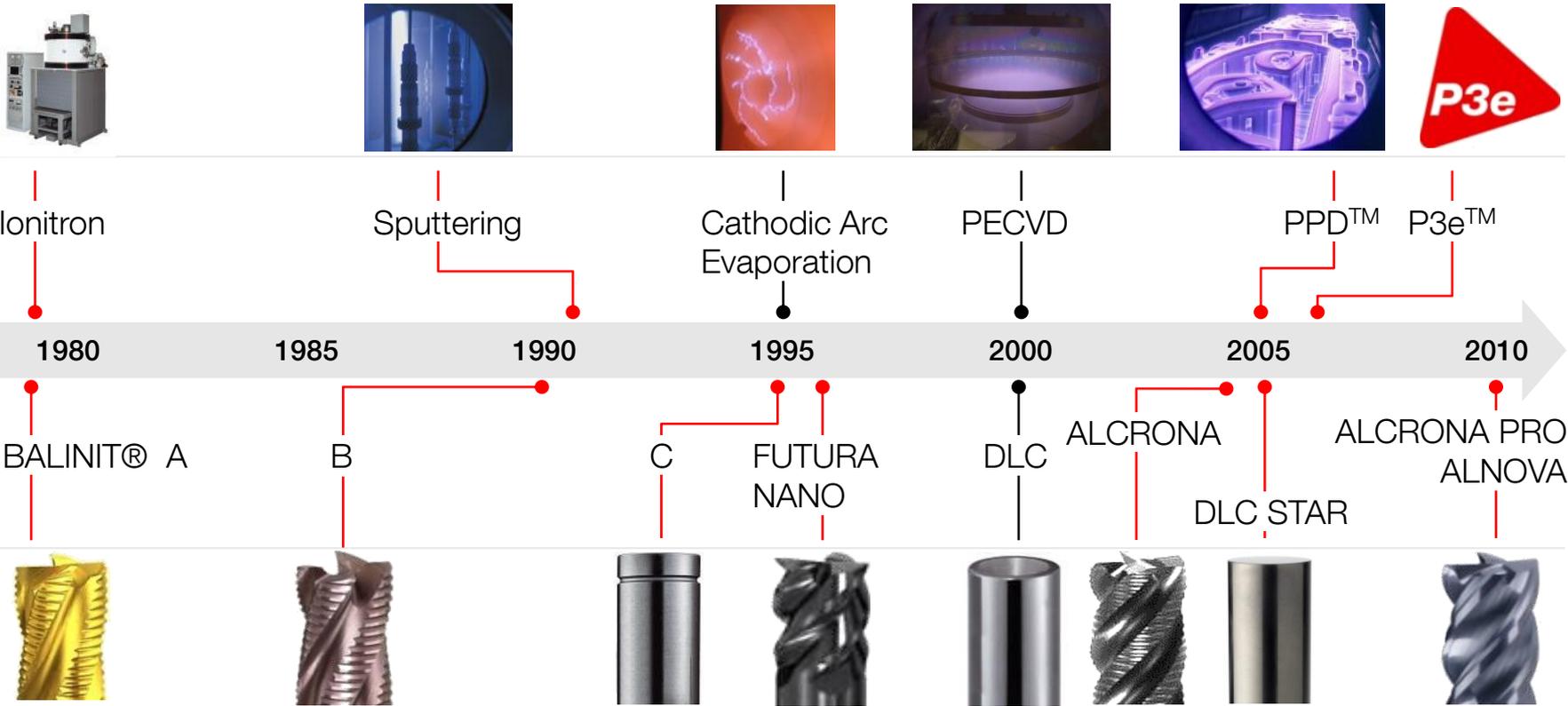
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## Technologies

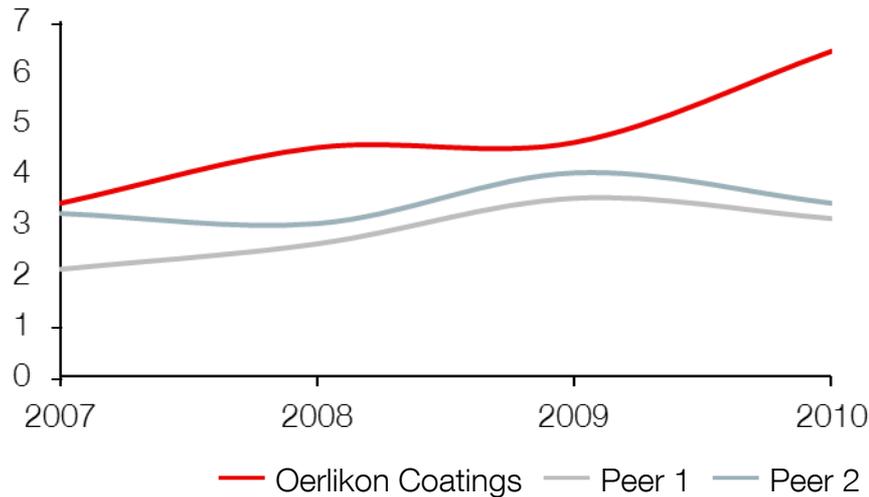


## Products - BALINIT®

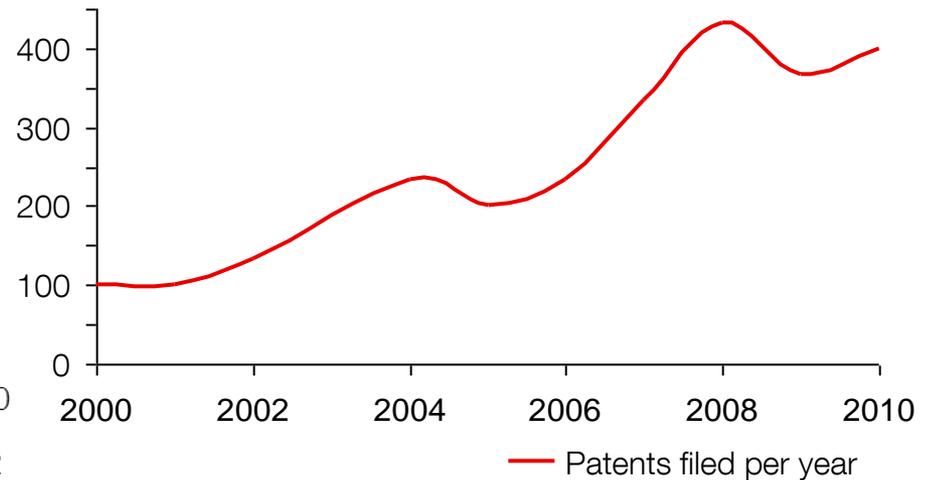
- — Standard developed by Oerlikon Balzers
- — Standard adapted and further developed by Oerlikon Balzers

# R&D is at the core of Oerlikon Balzers

R&D to Sales ratio (in %)



Patent activity – substantial increase since 2006 (Indexed to year 2000)



- Far more investment into R&D than peers
- Sustainable, long-term collaboration with leading scientific institutions
- Strong IP portfolio
- The world's leading producers of cutting tools reach out to Balzers for R&D cooperation

# Customers recognize Balzers' technological leadership

Oerlikon Balzers awarded as best tool supplier and service provider at the Audi factory in Győr



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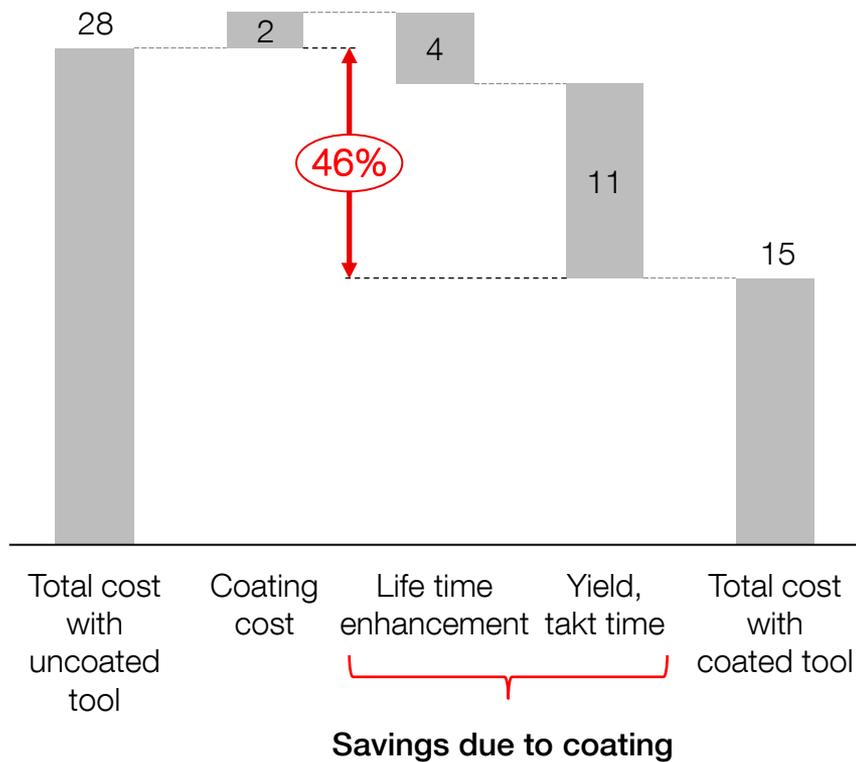
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# Unique benefits of tribological PVD coatings

## Increasing productivity

Production hinges for Volvo tailgates, EUR per 100 parts



## Enabling functionality

Diesel injector with piezo technology



# Global Players trust Oerlikon Balzers

Tools		Components		
Cutting	Forming	Automotive	Precision Components	Design Parts
			Serving a.o. General Engineering, Aerospace, Medical  Non-disclosure due to customer business secrets	

# Servicing customers

## What they think about Balzers

**In-Kyu Bae**

President and CEO  
of Hyundai Powertech



## Substitution of hard chrome on large forming tools



- Market entry through acquisition of **VST Keller** in 2007
- PPD™ sets a **new industrial standard**

## Substitution of decorative chrome on plastics

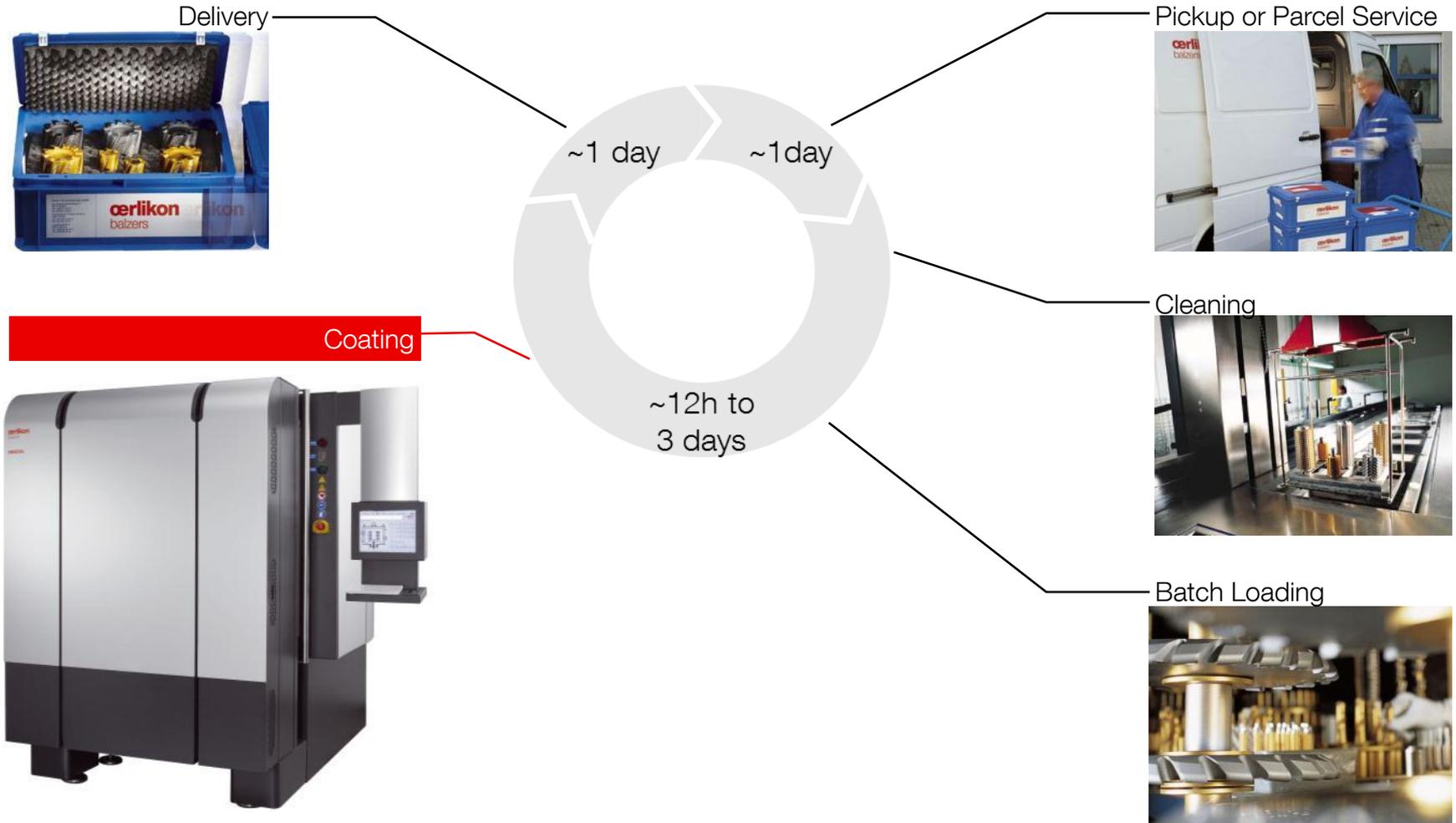


- Market entry through acquisition of **Hartec** in 2010
- **Unique solution** for design parts

**Profitable, environmentally friendly and unique technologies**

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# The coating service cycle of Oerlikon Balzers



# Oerlikon Balzers is the customer's doorstep: 3 regions, 32 countries, 89 coating centres

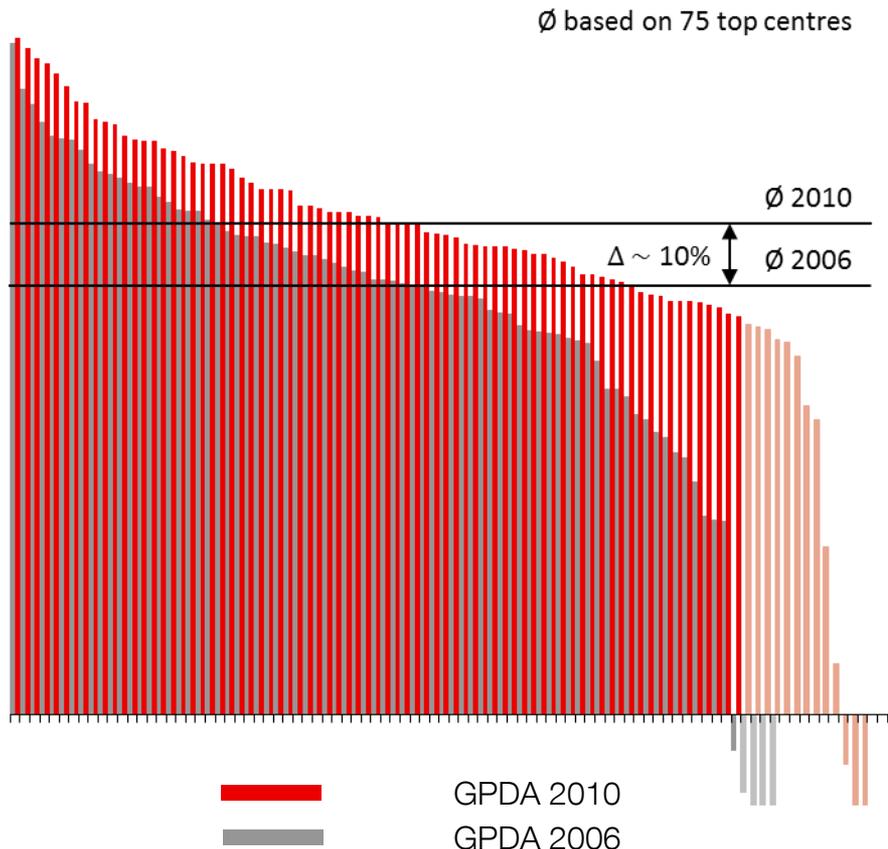
**oerlikon**



# Driving performance of coating centers through operational excellence

Coating Center Gross profit before depreciation and amortization (in % of Sales)

Continuously increasing profitability



- Benchmarking across entire portfolio of coating centers as main driver for continuous profitability improvement
- Sharing knowledge and best practice across the portfolio is a formalized process
- Standardization of operating procedures
- Faster ramp-up of start-up coating centers
- Optimized asset utilization by moving underutilized production equipment to expanding coating centers

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# 2 main factors drive top line growth

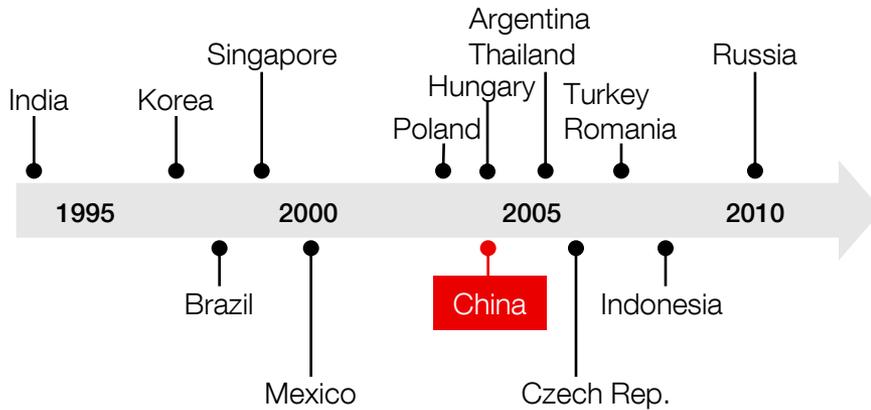
## Geographic expansion

- Early mover into emerging countries
- Emerging markets and accelerated shift to Asia drove recovery
- Extraordinary growth, particularly in China

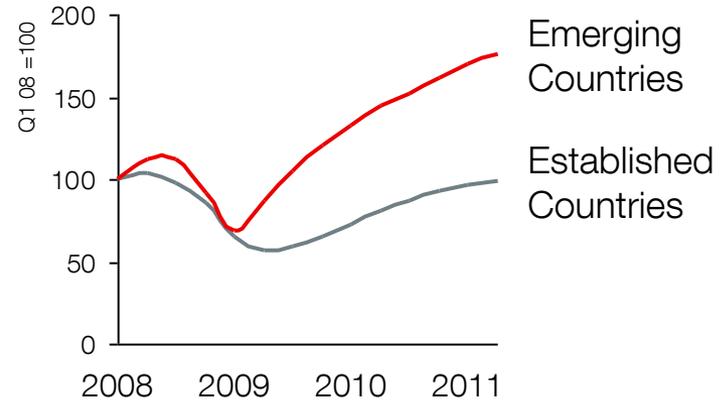
## Portfolio enhancement

- Driving innovation to meet the customer needs of tomorrow
- Going upstream with additional service offers

## Early mover: Expansion into emerging countries

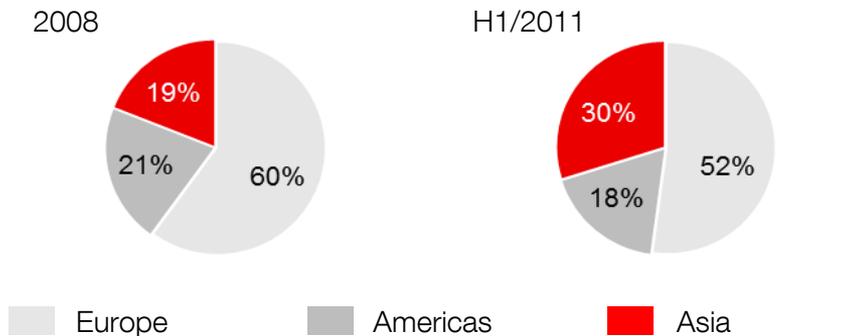


## Actual Sales: Emerging markets drive recovery

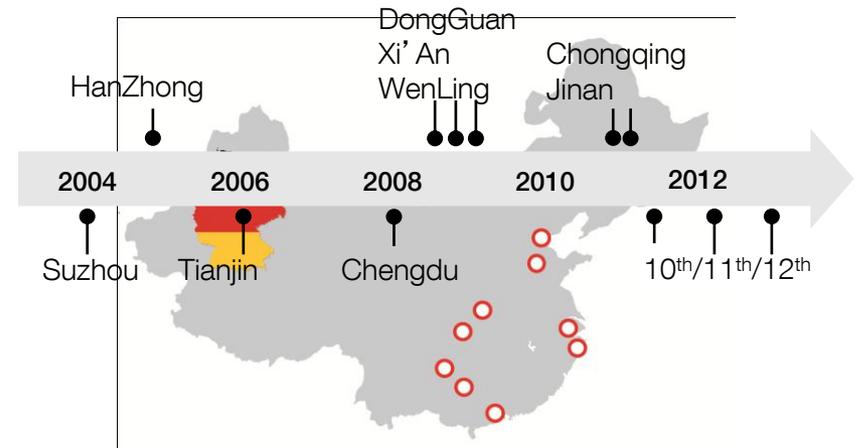


## Accelerated shift to Asia

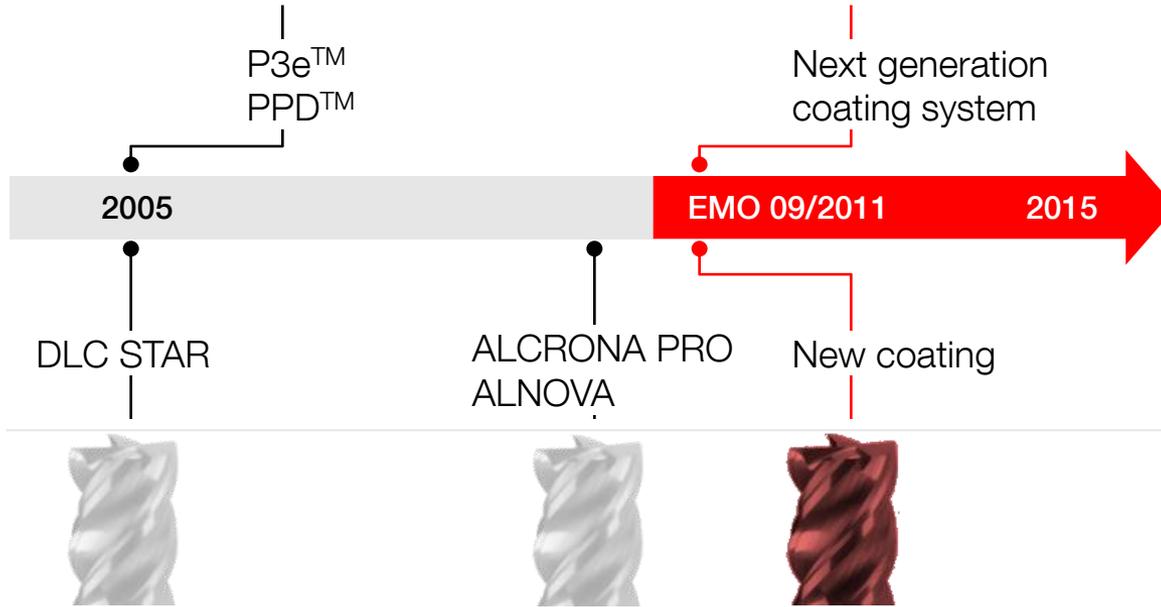
Total Sales per Region



## Extraordinary growth of operations in China



## Technologies



## Success factors of the next generation coating systems

### Technology

- Available with a new leading edge Balzers approach of the most advanced coating technology

### Productivity

- Decreases turnaround time significantly
- Increases flexibility
- Reduces cost of ownership substantially

BALINIT®

## Polishing

- Expansion along the value chain: polishing (if required) followed by coating
- Tremendous in-house know-how, global rollout in progress



## Nitriding

- Technology is increasing the performance of forming tools
- Our know-how recognized by customers in the most important markets



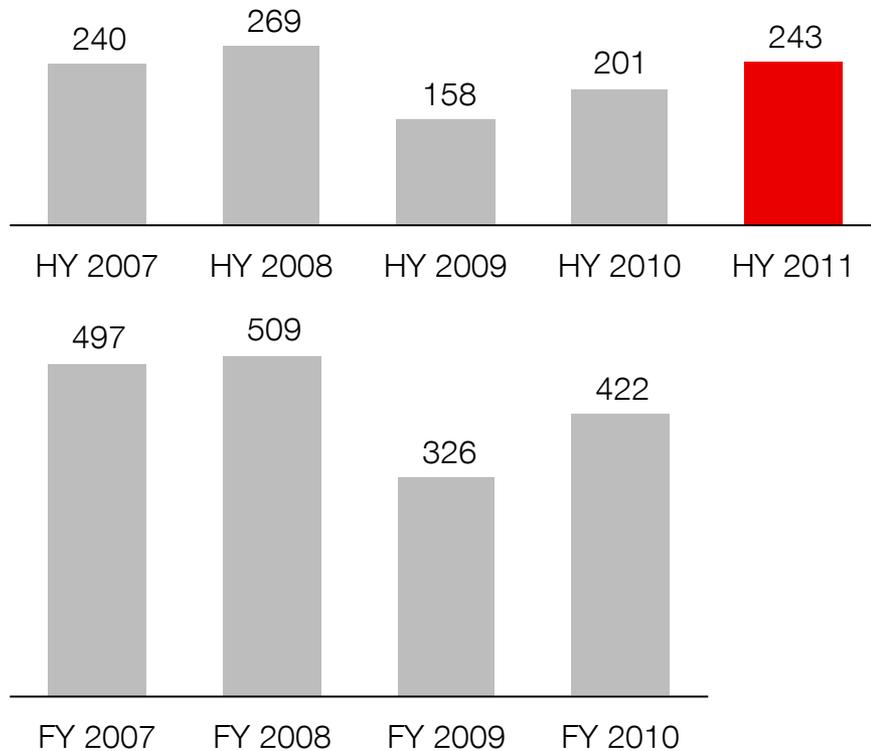
## Regrinding

- Expansion along the value chain: regrinding followed by coating
- Tapping into specialized market through an in-house and subcontractor business model



# Significant top line growth

## Sales 2007 – HY 2011 (in CHF m)

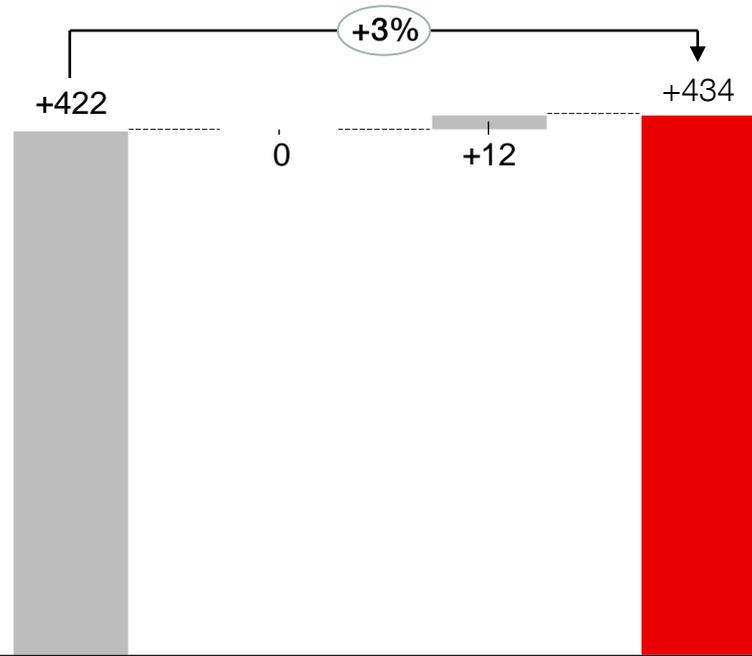


- Strong growth throughout Western Europe exceeds expectations
- Recovery in North America slightly above expectations
- Considerable growth in Korea, China and India

# Value of Swiss Franc affects Sales through translation effects

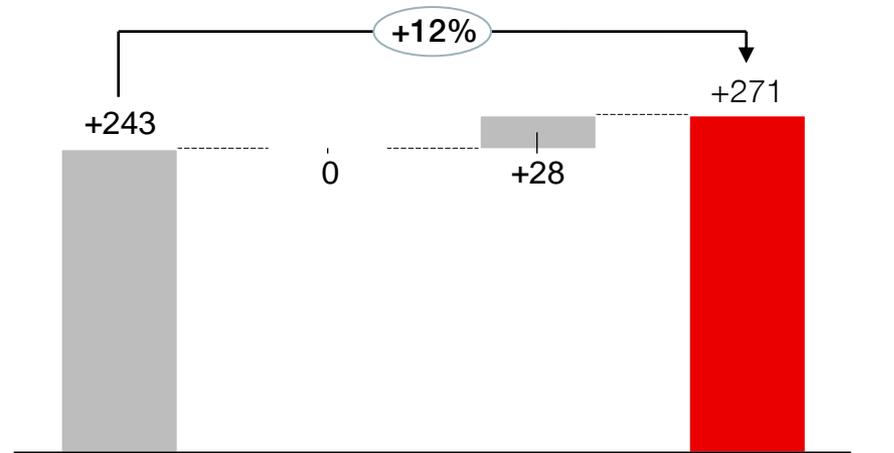
## Oerlikon Balzers Sales 2010

(in CHF m)



## Oerlikon Balzers H1 2011

(in CHF m)

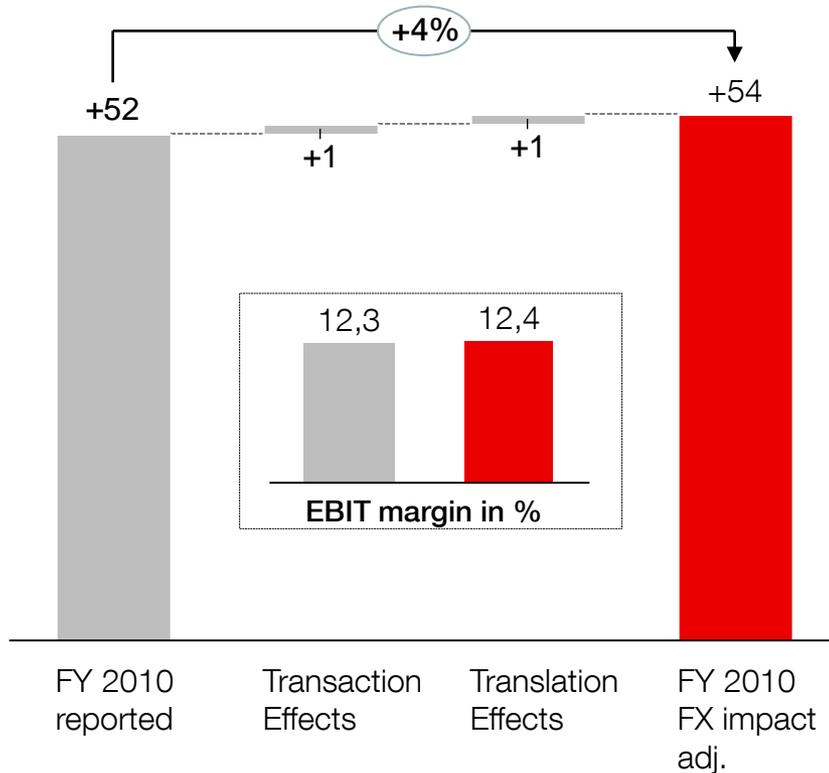


FY 2010 reported	Transaction Effects	Translation Effects	FY 2010 FX impact adj.	HY 2010 reported	Transaction Effects	Translation Effects	HY 2010 FX impact adj.
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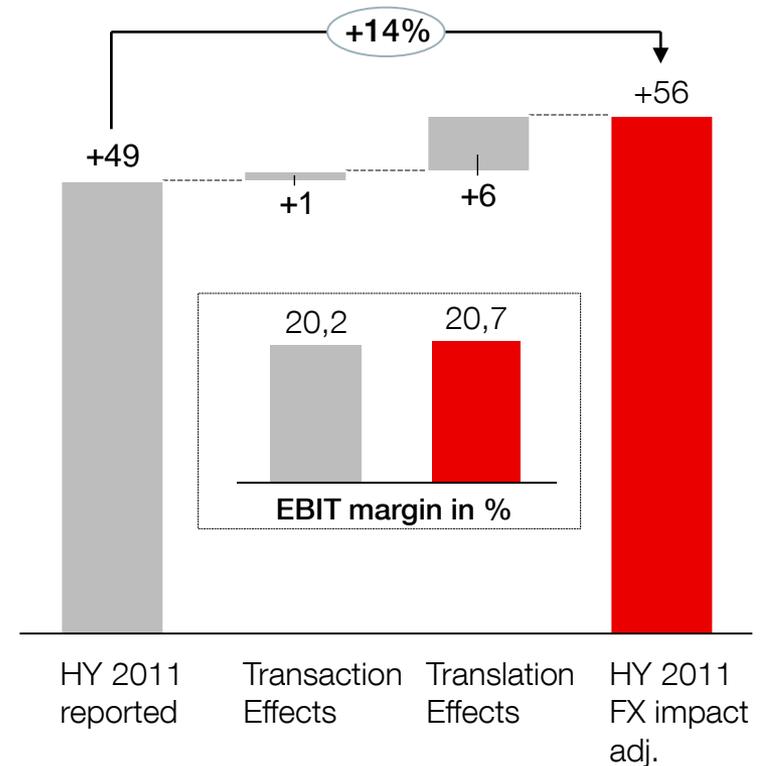
- 2010: 35% of Sales in EUR, 13% in US, 9% in JPY, 6% in CNY
- Accelerated strength of CHF caused headwind in HY 2011
- Business model limits transaction effects

# Strong Swiss Franc impacts EBIT, although Balzers naturally hedged

Oerlikon Balzers EBIT FY 2010  
(in CHF m)



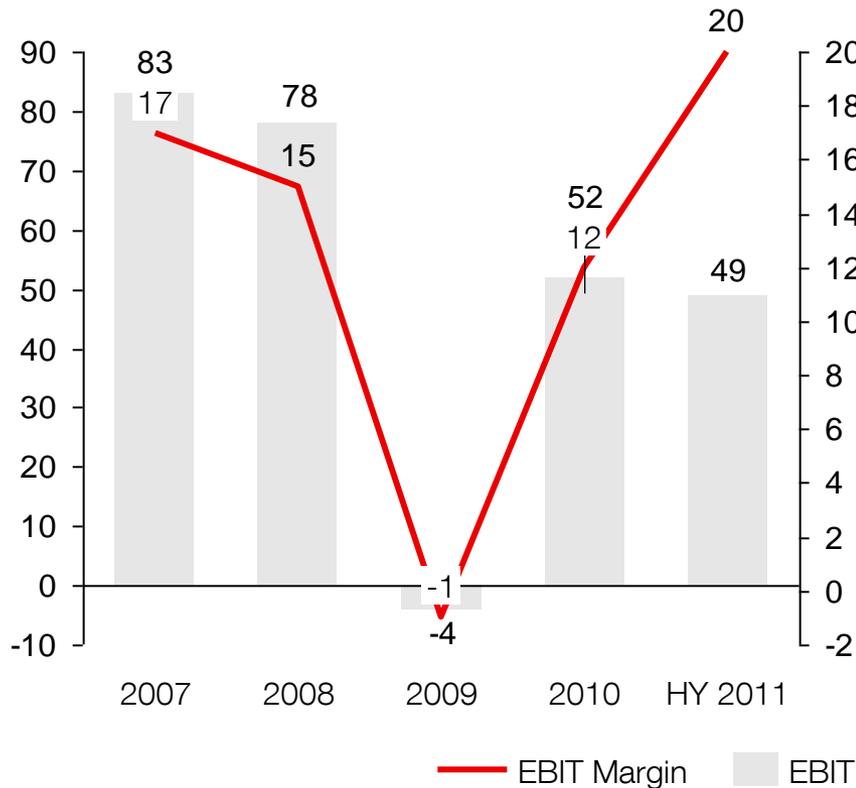
Oerlikon Balzers EBIT H1 2011  
(in CHF m)



- Cost and sales denominated to a large extent in local currency
- Natural hedge limits exposure to transaction risk to a minimum

# Quick response to downturns protected profits and positioned Balzers for strong growth

EBIT and EBIT Margin 2007 – HY 2011  
(in CHF m / in %)



- Fast and stringent restructuring program started early
- Rigor in cost consciousness kept throughout recovery phase
- Operational excellence enforced over the whole cycle

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## Technological Leadership

- Oerlikon Balzers is the pioneer of thin film and the undisputed technology leader
- Innovation is at the core of Oerlikon Balzers
- Customers recognize and reward our technological leadership

## Markets & Customers

- Balzers products bring unique benefits to customers
- Customers praise our outstanding service and quality
- Market position further strengthened in core and new markets

## Operational Excellence

- Transparent continuous benchmarking across entire portfolio of coating centers drives continuous improvement
- Optimized asset utilization by moving underutilized production equipment to expanding coating centers

## Tactics

- Geographic extension to emerging markets, particularly Asia, and technology leadership are key top line levers
- Growth based on sales and increased cost optimization leading to strong financials partially offset by translation effects

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