

# On the way to a sustainable Comeback

Dr. Michael Buscher, CEO

Jürg Fedier, CFO

Annual Media and Analyst Conference

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# Agenda



- 1** Review 2010
- 2** Fiscal year 2010 results
- 3** Business Strategy
- 4** Outlook & Summary

# Agenda



**1** Review 2010

**2** Fiscal year 2010 results

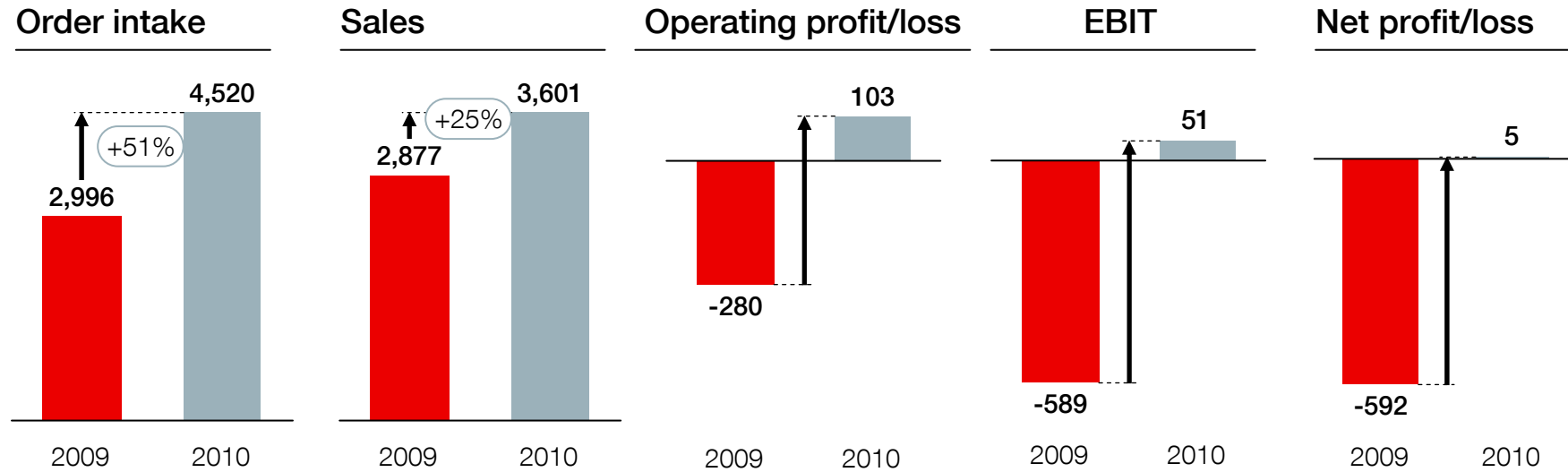
**3** Business Strategy

**4** Outlook & Summary

# Financial Achievements



in CHF m



Note: Discontinued operations not included

## Back to profitability

- Faster and stronger recovery than expected
- Oerlikon Textile, Vacuum, Coating and Advanced Technology main contributors
- Oerlikon Drive Systems and Solar with unsatisfying results – measures have been initiated
- Asia and innovations are main growth drivers

**Oerlikon’s substantial renewal achieved, supported by high market demand**

# Oerlikon's substantial renewal (phases)



| <b>Securing Financial Stability</b>     |   |  |  |
|---|---|--|--|
| <u>January</u>                          | <u>March 31</u>   | <u>May 18</u>  | <u>June 9</u>                                  |
| All attempts to sell businesses stopped | Financial restructuring between lenders, Renova and Oerlikon agreed | Financial restructuring and expanded BoD approved by AGM | Financial restructuring successfully completed |

| <b>Strengthened Leadership and additional Operative Measures</b> |               |               |                |                             |
|--|---------------|---------------|----------------|-----------------------------|
| <u>April 30</u>  | <u>May 19</u> | <u>June 1</u> | <u>Nov. 11</u> | <u>Nov. 29</u>              |
| New management structure; new focus on HR                        | New CEO       | CRO           | CHRO           | Several management changes  |
| <b>Intensified operational analysis and reviews</b> →            |               |               |                |                             |
|  |               |               |                | <b>Systematic Execution</b> |

| <b>Strategy Development</b>                         |               |                               |  |
|---|---------------|-------------------------------|--|
| <u>August 30</u>                                    | <u>Nov. 5</u> | <u>Nov. 29</u>                | <u>Dec. 3</u>                              |
| Global Leadership Meeting                           | Supplier Day  | Drive Systems strategy update | 3YBP approved                              |
|   |               |                               | <b>Dec. 16</b><br>Acquisition Hartec Group |
| <b>Strategic analysis and development of 3YBP</b> → |               |                               |  |

# Oerlikon's substantial renewal (achievements)



## **Regained financial stability**

- Robust balance sheet and regained financial strength offering also additional opportunities
- Stable and long-term oriented anchor shareholder

## **Strengthened Board of Directors and the Executive Management**

- Extended Board of Directors with additional industrial experience
- Reshaped Executive Committee with industrial experience and focus on people development
- Enhancement of management structures and capabilities at Corporate and Segment level

## **Improved operational performance**

- Significant lower cost base due to heavy restructuring
- Restructuring program on group level successfully completed, remaining projects will be further implemented on Segment level
- Increased effectiveness and efficiency of key business processes and governance

## **Clear strategic plan to achieve long-term profitable growth**

- Development and launch of 3YBP to fully unlock potential of each Segment
- Strategic initiatives defined and started

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# Key figures Oerlikon Group



| in CHF m   | 2010      | 2009         | Δ      |
|--|-----------|--------------|--------|
| Order intake   | 4,520     | 2,996        | +1,524 |
| Orders on hand   | 1,702     | 997          | +705   |
| Sales  | 3,601     | 2,877        | +724   |
| EBITDA<br>% of sales   | 278<br>8% | -165<br>-6%  | +443   |
| EBIT<br>% of sales   | 51<br>1%  | -589<br>-20% | +640   |
| Cash flow from operating activities before changes in current assets | 354       | -92          | +446   |
| Cash flow from operating activities                                  | 511       | 90           | +421   |
| Net operating assets (incl. goodwill)                                | 2,196     | 2,821        | -625   |



# Key figures by Segment



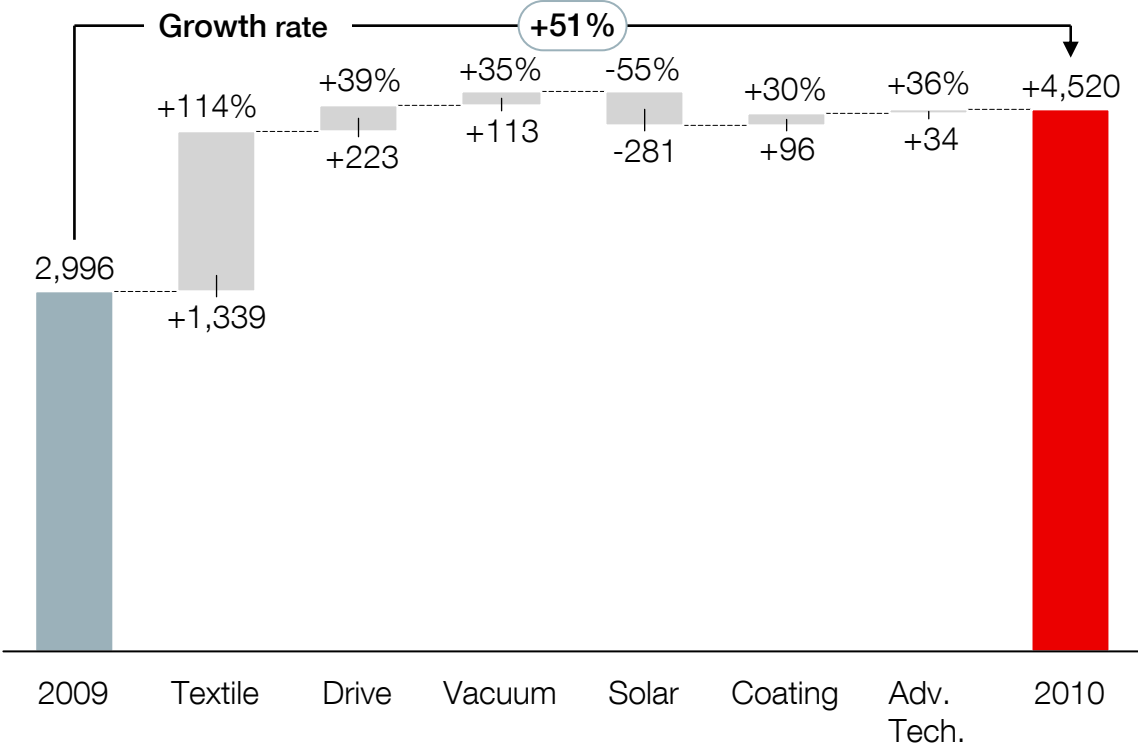
| in CHF m             | Textile      | Drive      | Vacuum     | Solar       | Coating    | Adv.Tech.  |
|----------------------|--------------|------------|------------|-------------|------------|------------|
| Order intake         | 2,509        | 792        | 438        | 230         | 422        | 129        |
| Orders on hand       | 1,197        | 137        | 84         | 255         | -          | 29         |
| Sales<br>Δ to 2009   | 1,653<br>58% | 733<br>11% | 410<br>27% | 254<br>-43% | 422<br>30% | 129<br>63% |
| EBITDA               | 96           | 26         | 44         | -33         | 101        | 13         |
| EBIT                 | 21           | -27        | 30         | -59         | 52         | 10         |
| Net Operating Assets | 741          | 895        | 151        | 41          | 307        | 70         |
| Employees            | 6,294        | 5,141      | 1,453      | 648         | 2,711      | 196        |

# Order bridge by Segment



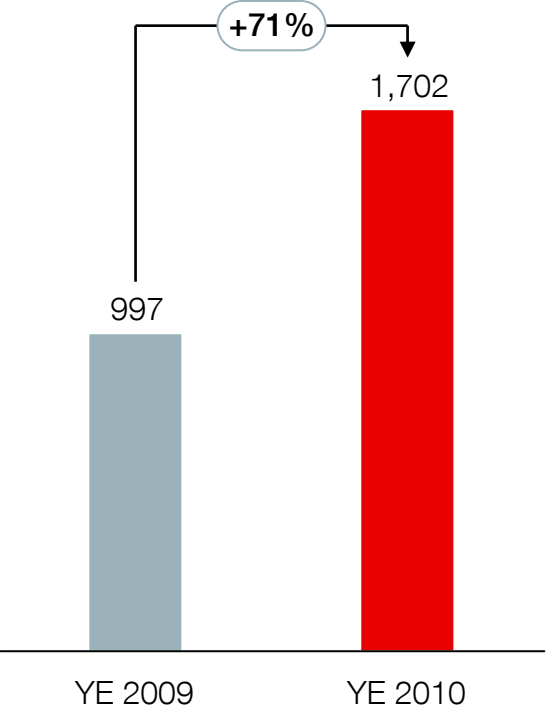
## Order intake by Segments

in CHF m



## Orders on hand

in CHF m

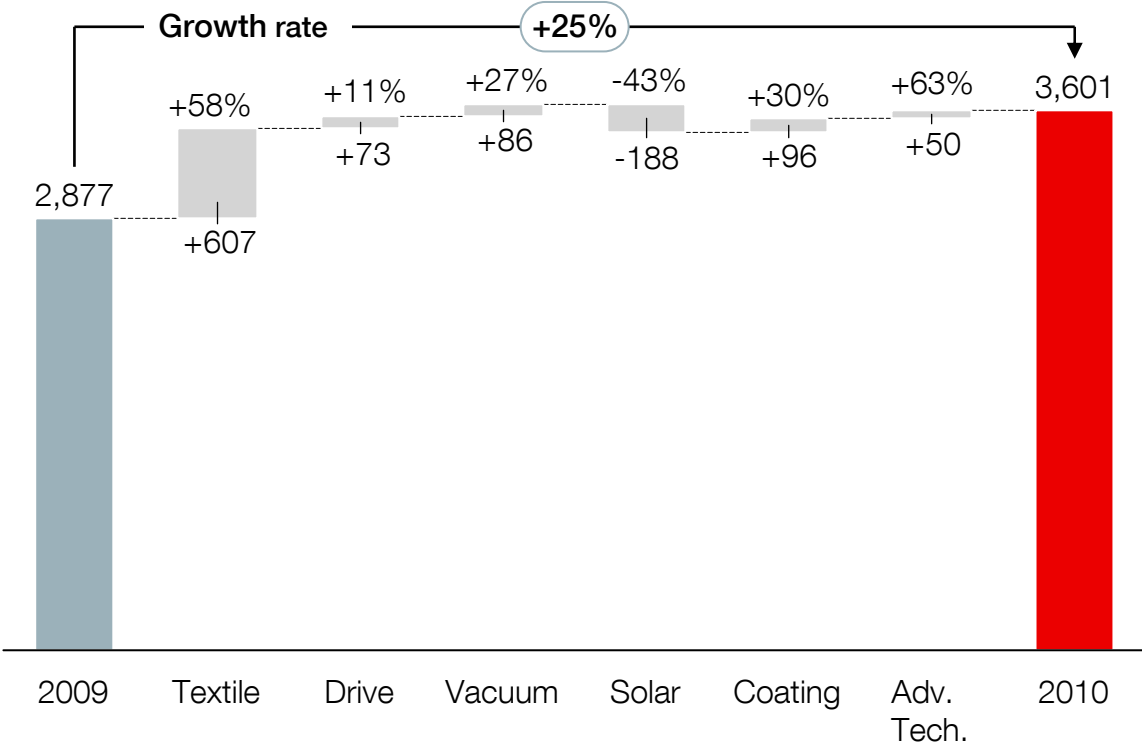


# Sales bridge by Segment



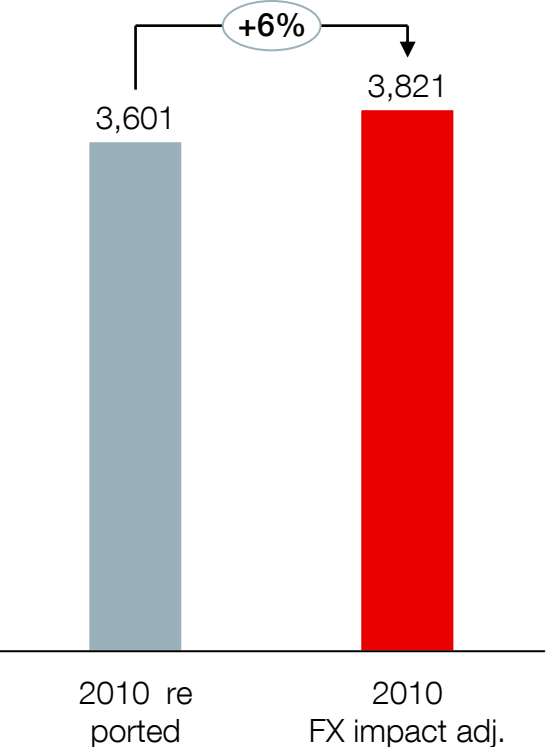
## Sales by Segment

in CHF m



## Sales w/o currency impact

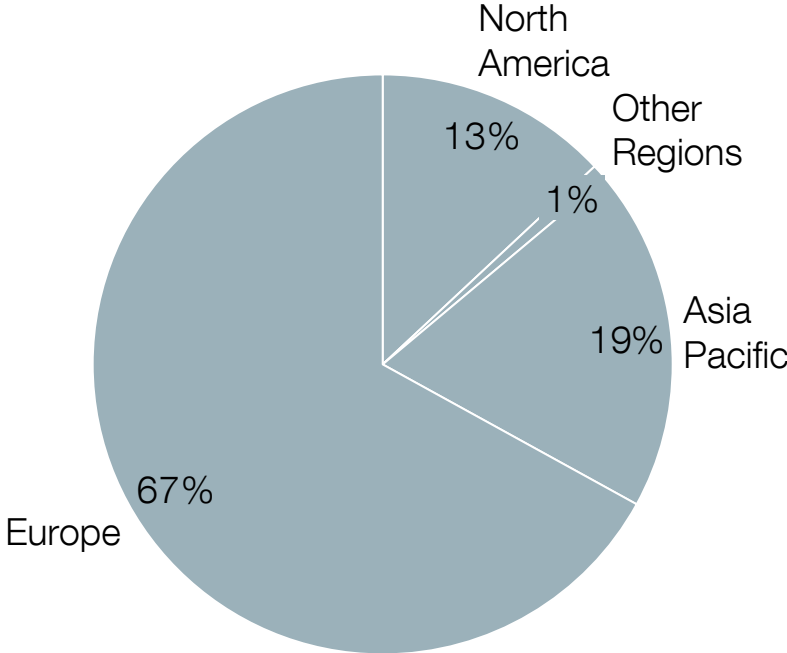
in CHF m



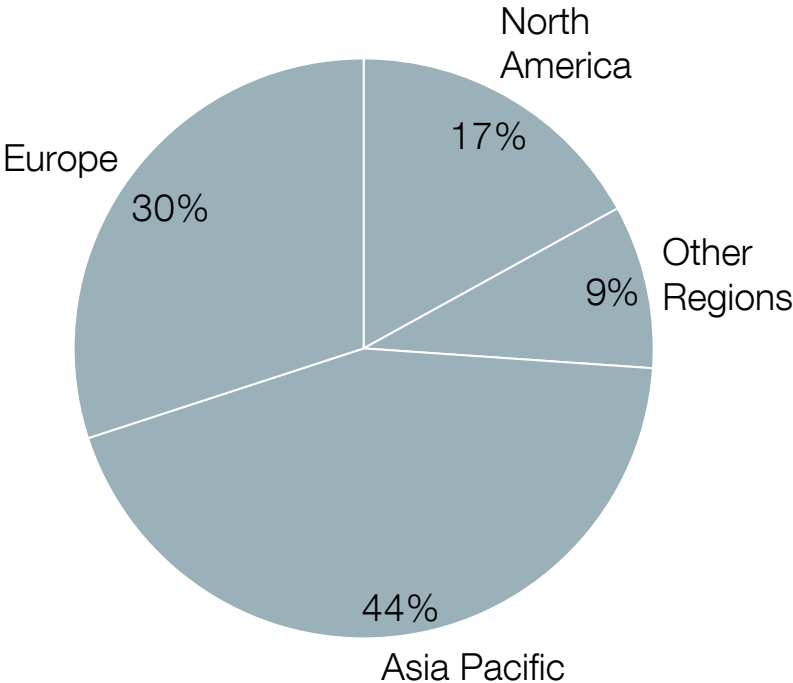
# Sales split by location and region



Sales by location



Sales by market region



- Strong customer relations in all major markets
- Gradual migration of manufacturing footprint

# Segment operating margins<sup>1)</sup> being restored



| in CHF m                               | 2010       | 2009        | Δ    |
|--|------------|-------------|------|
| Textile<br>in % of sales               | 26<br>2%   | -173<br>n/a | +199 |
| Drive Systems<br>in % of sales         | 7<br>1%    | -34<br>n/a  | +41  |
| Vacuum<br>in % of sales                | 38<br>9%   | 10<br>3%    | +28  |
| Solar<br>in % of sales                 | -59<br>n/a | -69<br>n/a  | +10  |
| Coating<br>in % of sales               | 57<br>14%  | 12<br>4%    | +45  |
| Advanced Technologies<br>in % of sales | 10<br>8%   | -3<br>n/a   | +13  |

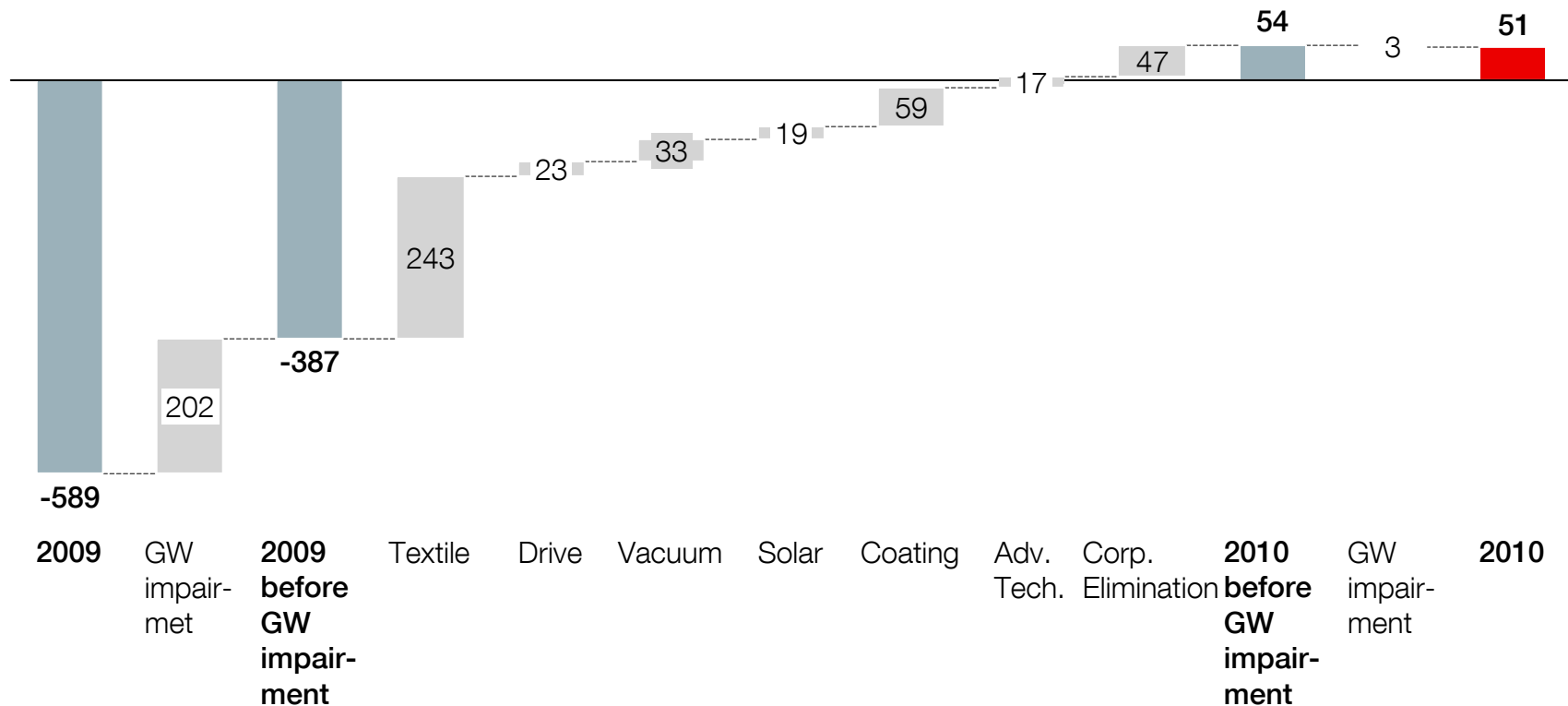
1) EBIT before restructuring costs and goodwill impairments in % of sales

# EBIT increase in all major Segments



in CHF m

|               |    |     |    |     |    |    |   |
|---------------|----|-----|----|-----|----|----|---|
| Restructuring | -5 | -34 | -8 | 0   | -2 | 0  | 0 |
| FX impact     | -3 | 0   | +7 | -14 | -1 | -3 | 0 |



# Oerlikon regained net profitability

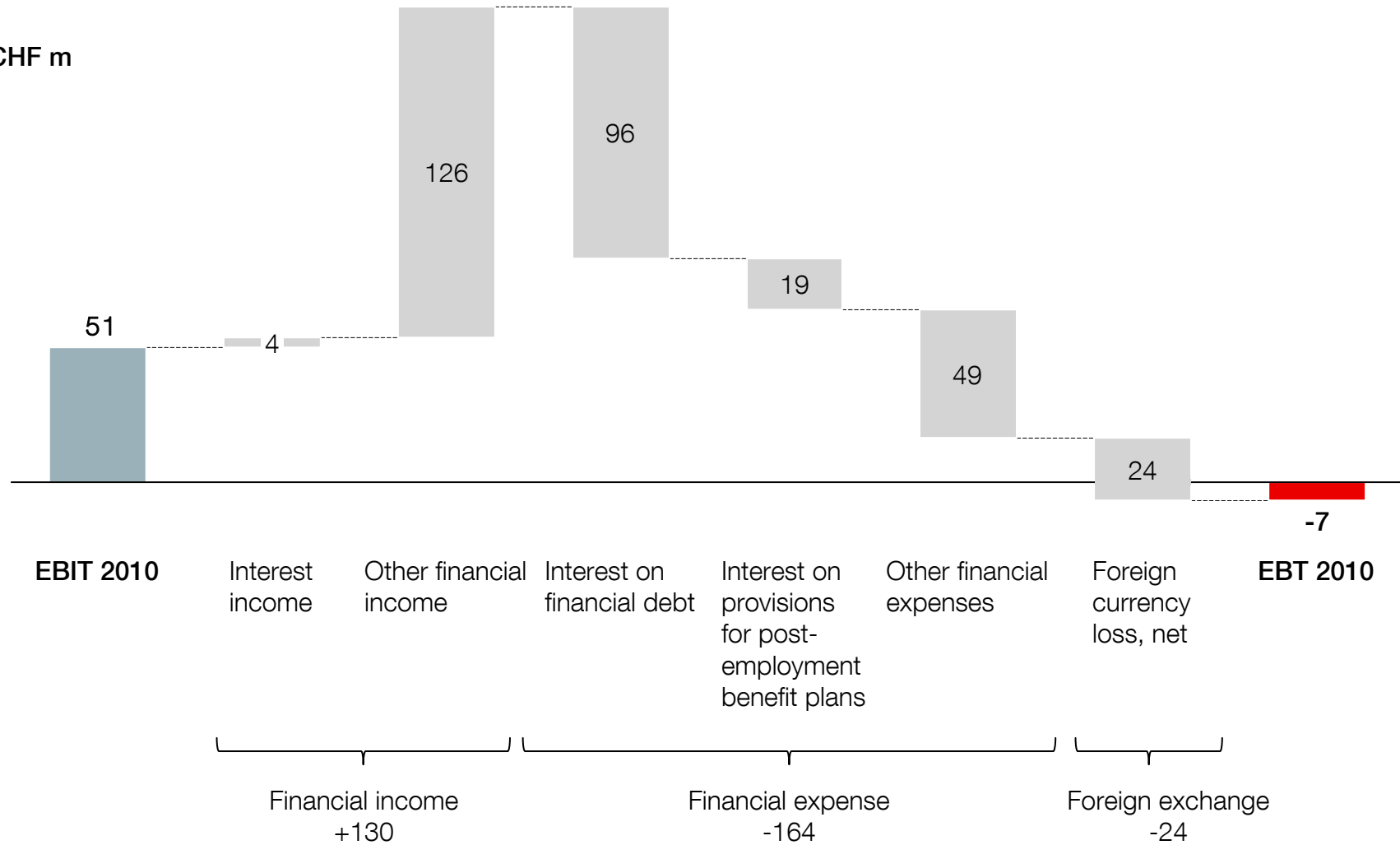


| in CHF m  | 2010       | 2009         | Δ    |
|---|------------|--------------|------|
| Result before interests and taxes (EBIT)<br>in % of sales | 51<br>+1%  | -589<br>-20% | +640 |
| Financial result<br>in % of sales                         | -58<br>-2% | -157<br>-5%  | +99  |
| Result before taxes (EBT)<br>in % of sales                | -7<br>-    | -746<br>-26% | +739 |
| Income taxes<br>in % of EBT                               | 12<br>-    | 50<br>-      | -38  |
| Net profit / loss<br>in % of sales                        | 5<br>-     | -592<br>-21% | +597 |

# Financial Result

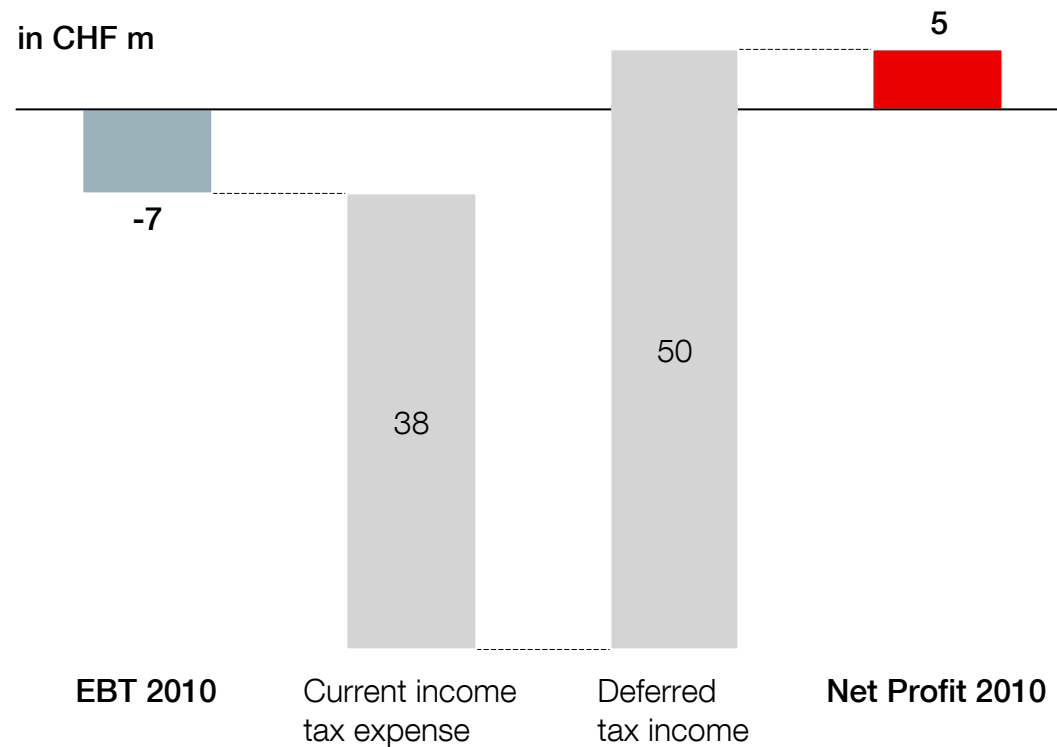


in CHF m





# Tax Result



- Current income tax due to increasing profitability of many subsidiaries
- Deferred tax income mainly due to recognition of tax loss carry forwards

# Solid balance sheet restored



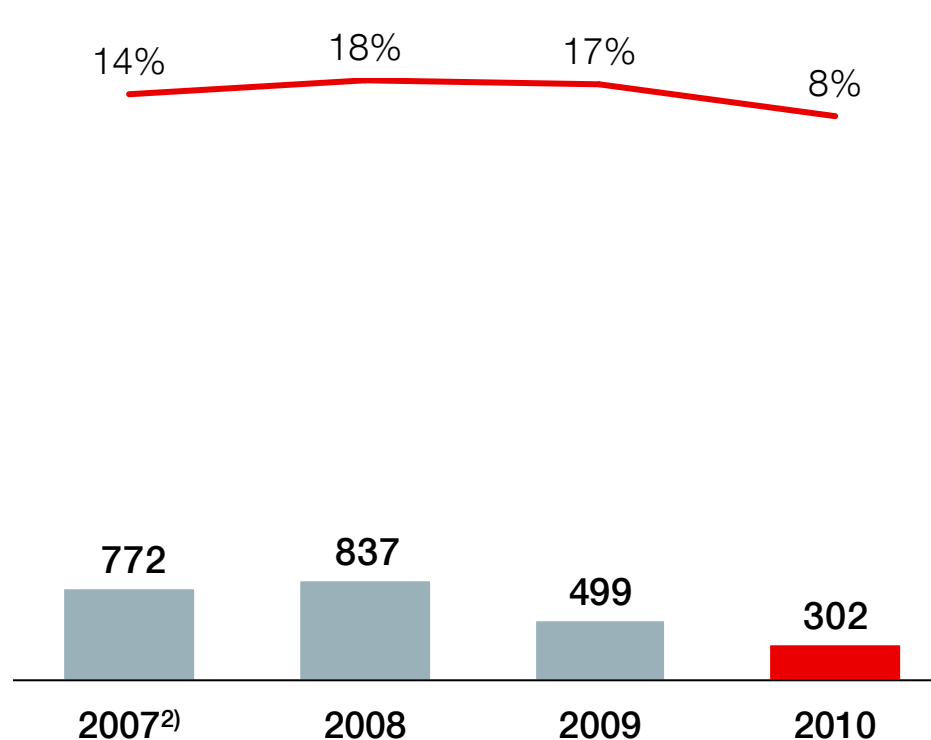
| in CHF m                                     | 2010         | 2009         |
|--|--------------|--------------|
| Cash and cash equivalents                    | 751          | 357          |
| Trade receivables                            | 588          | 433          |
| Inventories                                  | 468          | 534          |
| Property, plant and equipment                | 942          | 1,137        |
| Goodwill and intangibles                     | 1,293        | 1,471        |
| Total other assets                           | 433          | 410          |
| <b>Total assets</b>                          | <b>4,475</b> | <b>4,342</b> |
| Trade payables                               | 419          | 332          |
| Current customer advances                    | 335          | 136          |
| Current and non-current loans and borrowings | 1,078        | 2,054        |
| Non-current post-empl. benefit provisions    | 499          | 562          |
| Total other liabilities                      | 690          | 738          |
| <b>Total liabilities</b>                     | <b>3,021</b> | <b>3,822</b> |
| <b>Total Equity</b>                          | <b>1,454</b> | <b>520</b>   |
| Equity ratio                                 | 32%          | 12%          |
| Net debt                                     | 274          | 1,646        |
| Gearing <sup>1)</sup>                        | 19%          | 317%         |

1) Net debt / Equity

# Net Working Capital<sup>1)</sup> remained under tight control

## Net Working Capital<sup>1)</sup> 2007-2010

in % and CHF m



- Continuation of tight net working capital management despite increased sales, supported also by increased customer advances
- Net Working Capital in 2010 below 10% of sales

1) Trade receivables + inventories – trade payables – current customer advances

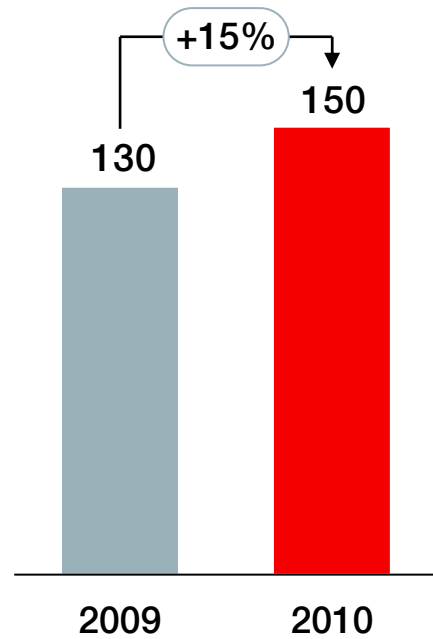
2) 2007 Restated

# Capex nearing depreciation level



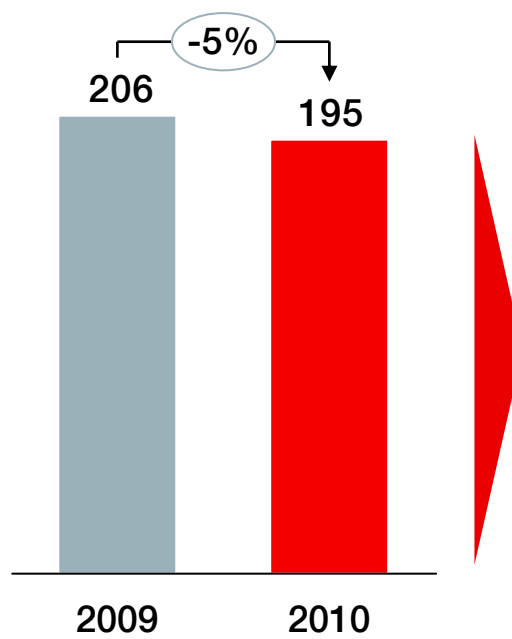
## Capex

in CHF m

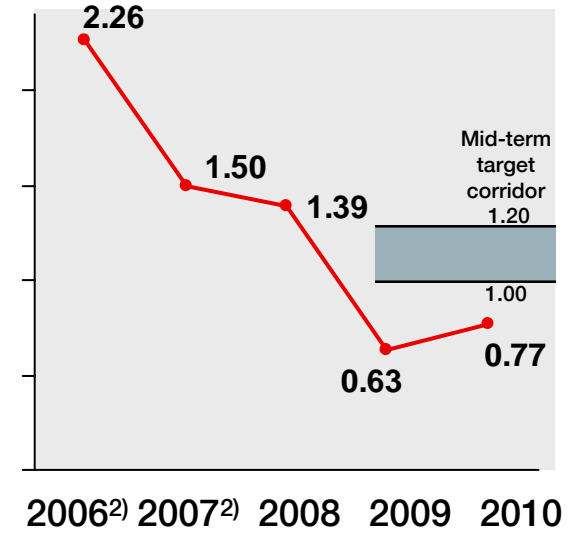


## Depreciation & amortization<sup>1)</sup>

in CHF m



## Capex/depreciation & amortization ratio<sup>1)</sup>



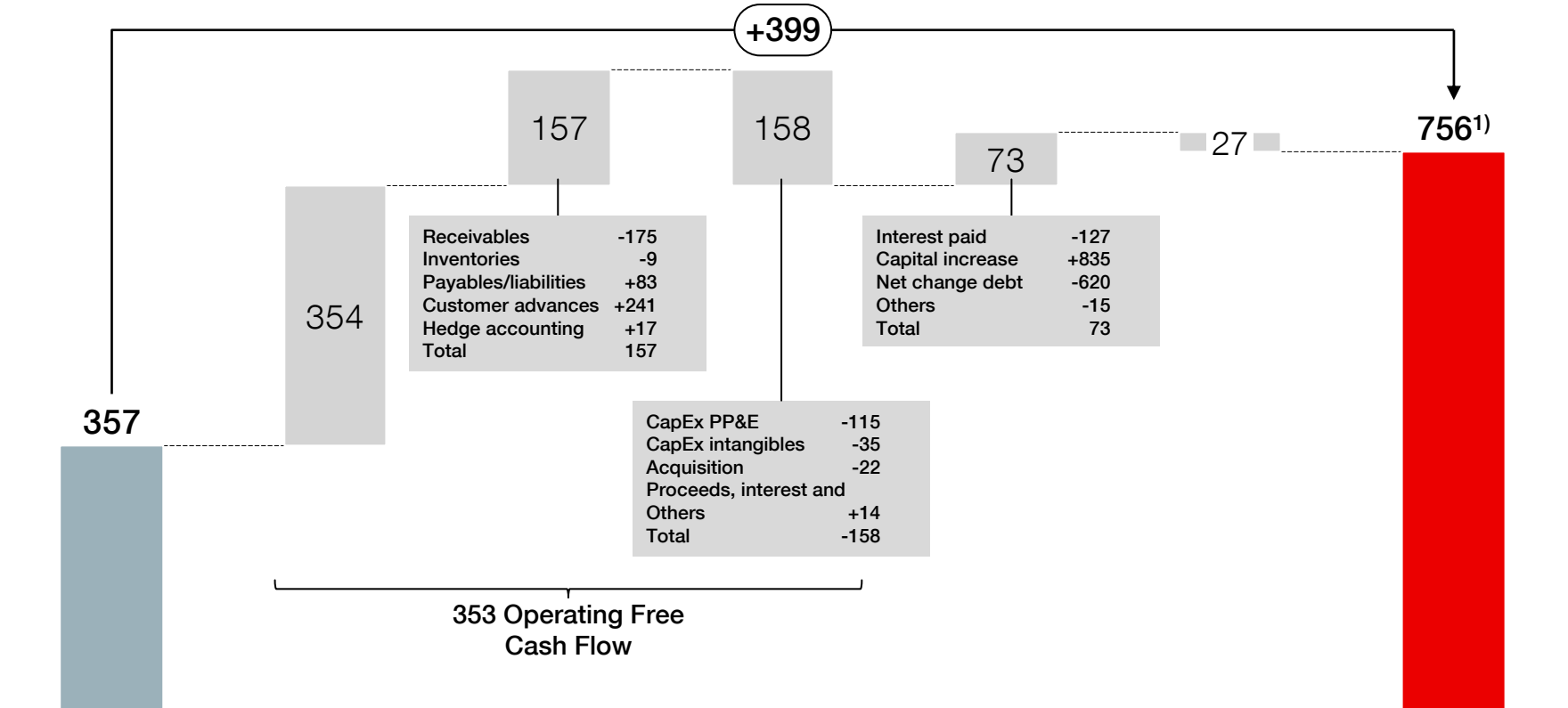
1) Excluding impairment

2) Restated

# Consolidated Cash Flow Statement



in CHF m



|   |   |                               |                      |                      |   |  |
|---|---|-------------------------------|----------------------|----------------------|---|--|
| <b>Cash and cash equivalents at the beginning of the year</b> | Operating activities before changes in net current assets | Changes in net current assets | Investing activities | Financing activities | Conversion adjustments to cash and cash equivalents | <b>Cash and Cash equivalent at the end of the year</b> |
|---|---|-------------------------------|----------------------|----------------------|---|--|

1) Thereof CHF 5 m included in "assets classified as held for sale" in the balance sheet

# Fiscal year 2010 results

## Summary



### Income Statement

- Margin restoration on the back of a restructured cost base and a faster-than-expected economic recovery
- Exceeded targets for break-even and net profitability

### Cash Flow

- Strong cash flow leads to a net debt/EBITDA ratio below 1.0
- Despite recovery of sales, tight net working capital management further supports strong cash flow generation

### Balance sheet

- Solid equity ratio restored at 32% with significantly deleveraged balance sheet
- New credit facility incepted, after successful capital increase

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# Oerlikon participates in different markets



|                                | Energy | Transportation | Information, Communications, Telecoms | Consumer Goods Manufacturing | Science, R&D | Mining, Agriculture, Construction |
|--------------------------------|--------|----------------|---------------------------------------|------------------------------|--------------|-----------------------------------|
| Oerlikon Textile               |        | ●              |                                       | ●                            |              |                                   |
| Oerlikon Drive Systems         | ●      | ●              |                                       |                              |              | ●                                 |
| Oerlikon Vacuum                | ●      | ●              | ●                                     | ●                            | ●            | ●                                 |
| Oerlikon Solar                 | ●      |                |                                       |                              |              |                                   |
| Oerlikon Coating               |        | ●              | ●                                     | ●                            |              | ●                                 |
| Oerlikon Advanced Technologies | ●      |                | ●                                     |                              | ●            |                                   |



# Oerlikon Textile

## Focus on profitability



### Competitive situation

- Market and technology leader in chemical fibers
- Strong market and technology position for all other textile applications

### Market

- Steep increase due to recovery from sharp global recession
- Outstanding demand in 2010, normalization with lower order intake in 2011
- Chinese governmental plans to further upgrade textile technology level



### Achievements

- Severe restructuring over past three years are paying off; most initiatives finalized
- Segment back to profitability
- Launch of breakthrough innovations (e.g. WINGS FDY)

### Key Financials

| CHF m | 2009  | 2010  | Change |
|-------|-------|-------|--------|
| OI    | 1,170 | 2,509 | +114%  |
| Sales | 1,046 | 1,653 | +58%   |
| EBIT  | -424  | 21    |        |

### Priorities

- Further increase of profitability
- Turning high order volume into sales
- Further introduction of product innovations

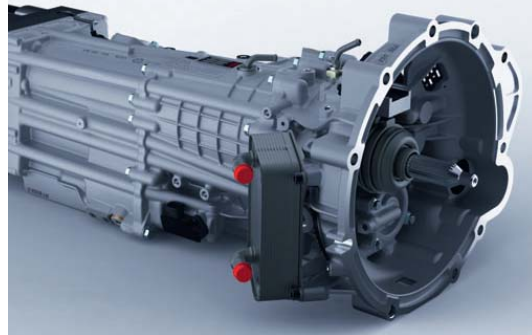
## Execute new strategy for profitable growth

### Competitive situation

- Leading provider for gear and transmission components as well as solutions in challenging niche markets

### Market

- Global commodity prices continue to drive energy and mining equipment markets
- Strong demand in emerging markets
- Slow but steady increase of business volumes in second half of 2010



### Achievements

- Recovery of production volumes after recession
- Innovation towards a fully integrated system provider
- Taking actions to overcome extended vendor lead times of key raw materials

### Key Financials

| CHF m        | 2009 | 2010 | Change |
|--------------|------|------|--------|
| <b>OI</b>    | 569  | 792  | +39%   |
| <b>Sales</b> | 660  | 733  | +11%   |
| <b>EBIT</b>  | -50  | -27  |        |

### Priorities

- Implementation of new Segment strategy for profitable growth
  - Business Unit establishment and integration
  - Asian footprint expansion
- Further introduction of innovations
- Finalization of remaining restructuring initiatives

# Oerlikon Vacuum

## Capitalize new product platforms



### Competitive situation

- Strong market and technology position with further potential for profitable growth

### Market

- Overall market demand expected to slow down, Asia and China with ongoing growth opportunities
- Start of an industry consolidation process with pressure on price competition



### Achievements

- Strong recovery
- Improvement of operational capabilities
- Launch of innovative new DRYVAC product platform

### Key Financials

| CHF m | 2009 | 2010 | Change |
|-------|------|------|--------|
| OI    | 325  | 438  | +35%   |
| Sales | 324  | 410  | +27%   |
| EBIT  | -3   | 30   |        |

### Priorities

- Expansion of global service network and Asia footprint
- Expanding solution business
- Further introduction of Innovations (Standardization)

## Prepare the ground for a successful market acceptance

### Competitive situation

- Regain cost and environmental leadership within the Solar industry

### Market

- Asia likely to dominate the module manufacturing market in the long term
- Further global push to “Real Green” technology with no future toxic waste problems etc.
- Additional upgrade business for existing equipment at customers’ manufacturing sites



### Achievements

- Successful launch of ThinFab
  - lowest total cost of ownership 0.5 €/Wp
  - practical and environmental advantages
- High customer satisfaction
- Break-even in 2nd half 2010
- First upgrade orders for new ThinFab equipment

### Key Financials

| CHF m | 2009 | 2010 | Change |
|-------|------|------|--------|
| OI    | 511  | 230  | -55%   |
| Sales | 442  | 254  | -43%   |
| EBIT  | -78  | -59  |        |

### Priorities

- Win new orders and ensure market understanding of technology advantages
- Continue R&D roadmap to further increase module efficiency and reduce manufacturing costs

# Oerlikon Coating

## Strengthen market leadership



### Competitive situation

- Market and technology leader

### Market

- Fast recovery after sharp recession, especially in emerging markets like Asia and in key industrial segments
- Dependency on overall economic development in industrial markets



### Achievements

- Turnaround of the business in 2010; Segment back to profitable growth close to pre-crisis level
- Optimized cost structure to further increase margins
- Acquisition of German Hartec group to enter new applications and markets with unique technology

### Key Financials

| CHF m        | 2009 | 2010 | Change |
|--------------|------|------|--------|
| <b>OI</b>    | 326  | 422  | +30%   |
| <b>Sales</b> | 326  | 422  | +30%   |
| <b>EBIT</b>  | -4   | 52   |        |

### Priorities

- Ongoing successful Asia growth strategy
- Integration of recently acquired Hartec group
- Ongoing introduction of groundbreaking technologies such as the new BALINIT ALNOVA

# Oerlikon Advanced Technologies

## Enter new markets

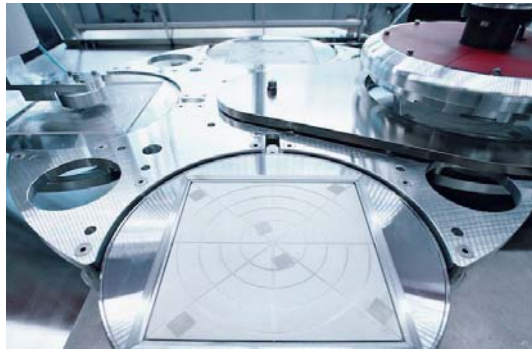


### Competitive situation

- Highly specialized equipment supplier with unique technology competence

### Market

- Expected market softening for semiconductor equipment
- Stable situation for optical storage media solutions
- Growth potential for nanotechnology markets



### Achievements

- Return to profitable growth
- Capitalizing on strong demand from Asia
- New SOLARIS production system offers further application opportunities and is already in full scale operations for crystalline solar cells

### Key Financials

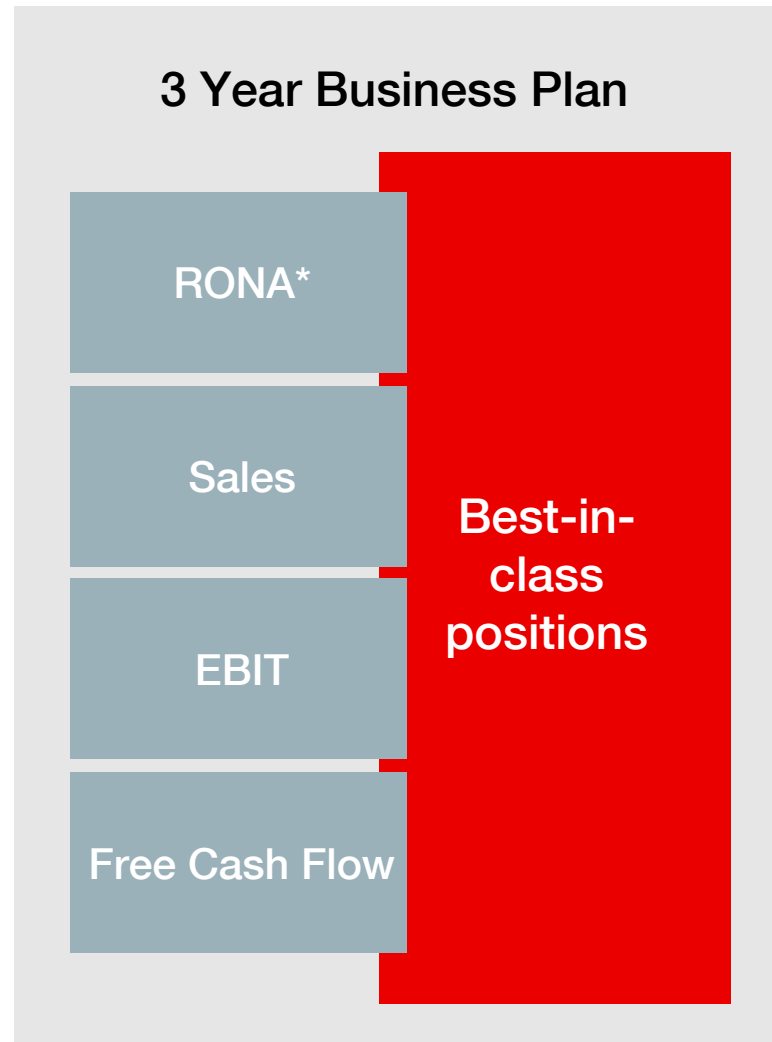
| CHF m        | 2009 | 2010 | Change |
|--------------|------|------|--------|
| <b>OI</b>    | 95   | 129  | +36%   |
| <b>Sales</b> | 79   | 129  | +63%   |
| <b>EBIT</b>  | -7   | 10   |        |

### Priorities

- Further increasing efficiency for the SOLARIS technology for the manufacturing of crystalline solar cells
- Enter new applications and markets with innovations
- Support future success with solutions for read/write heads for hard drives, micro-electromechanical systems, solid state lighting (LED), optical discs

# 3 Year Business Plan (3YBP) – Rationale

## Secure long-term profitable growth



- 3YBP defines the strategic guidelines and operational plans for long-term profitable growth
- 3YBP provides measures and metrics to systematically develop Corporate and the Segments during the next three years with strong focus on
  - Return on net assets (RONA)
  - Best-in-class-positions
- Key assumption: stable portfolio

\*EBIT/net assets as key figure to monitor value creation

# 3 Year Business Plan – 5 Strategic Initiatives



## Create value

### Stakeholder Excellence

- Identify long-term profitable markets and key customers
- Define capture strategies to win customer confidence and orders
- Establish strong relations with stakeholders such as shareholders and analysts

### Portfolio Enhancement

- Enhance value-based pricing
- Improve processes to develop profitable breakthrough innovations
- Strengthen competitiveness of product and service portfolio with standardization

### Value Chain Optimization

- Optimize positioning of each business within their respective value chain
- Improve production and supply chain capabilities
- Enhance governance structure

### People Engagement

- Further strengthening of corporate culture
- Enhance people development, recruiting and rewarding
- Secure modern Human Resources processes and systems

### Organization Development

- Optimize Oerlikon's global footprint
- Ensure effective and efficient management structures



# 3YBP Example: Strengthening Corporate Culture

## Renewed Oerlikon Identity – Considerations



### Identity

- Vision
- Mission
- Core Values
- Tagline

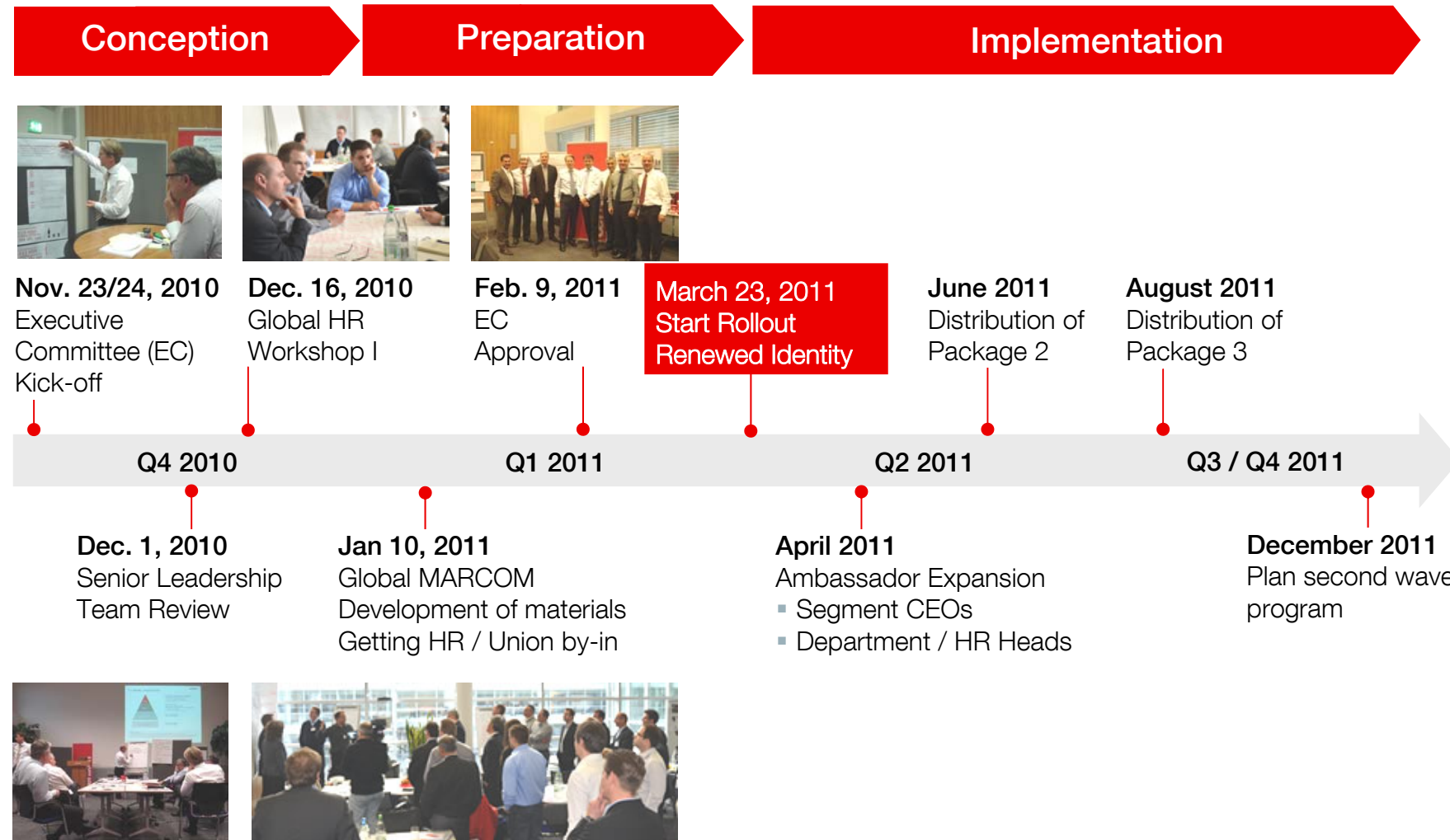
### Reason for renewal

- After the operational and strategic performance increase a joint understanding of the fundamental goals as well as the related behavior will increase working effectiveness and efficiency – and achieve long term success
- Soft factors will result in hard facts

### Base

- Oerlikon's characteristics:
  - more than 100 years industrial experience
  - strong Swiss roots
  - very international approach
  - innovations
- Renewed Identity targets:
  - build on proven elements
  - be brief, clear and practical
  - support business success according to 3YBP metrics

# 3YBP Example: Strengthening Corporate Culture Renewed Oerlikon Identity – Process



# 3YBP Example: Organization Development

## Profitable growth strategy for Drive Systems



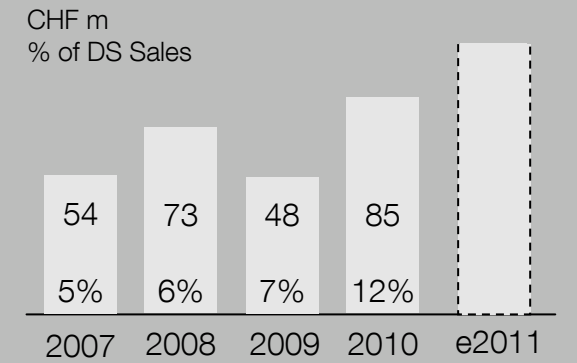
### Integration of Business Units

- Exploiting synergies by full integration of Oerlikon Graziano and Oerlikon Fairfield under one Segment CEO

### Expansion to China & India

- Accelerate and increase expansion
- Build-up new factory at Oerlikon site Suzhou, China
- Identify additional potential of local markets China and India

Sales Drive Systems Japan/Asia/Pacific



### Optimized Cost Structure

- Ongoing optimization of the Segment's cost structure and completion of running operational restructuring projects.

# Innovations

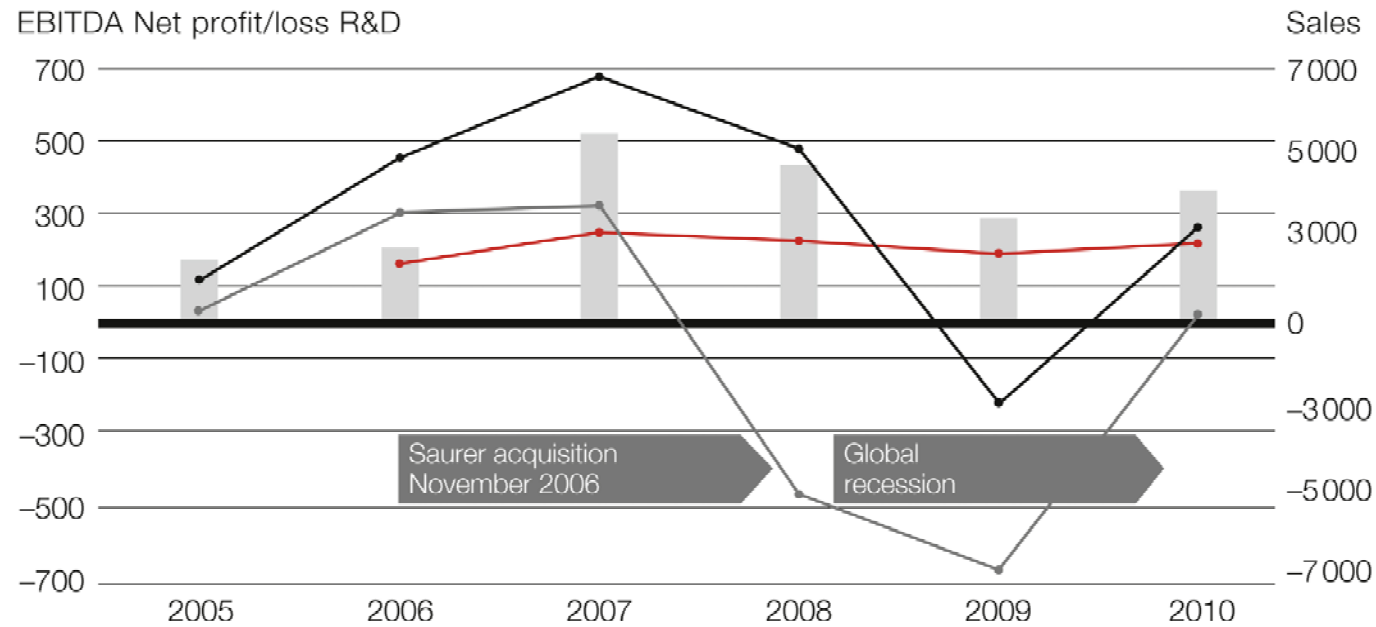
## Constant R&D investments to secure future



### Constant strong investments in R&D

in CHF m

■ Sales ■ EBITDA ■ Net profit/loss ■ R&D



- Profitability
- Revenue
- Clean
- Sustainable

# 3YBP Example: Portfolio Enhancement (1/2)

## Innovations based on CHF 239 m R&D investment



### Oerlikon Textile



WINGS FDY: new chemical fiber production process

#### Innovation core

Complete new spinning process with high integration of components

#### Key customer benefits

- Energy saving of up to 25 %
- Less space, floor operation
- Excellent yarn quality

#### Future potential

Further adaptation of WINGS technology to other yarn types

### Oerlikon Drive Systems



7-Speed Automated Manual Transmission for Lamborghini

#### Innovation core

Complete new design which integrates hydraulic system into the body

#### Key customer benefits

- World record 50ms shift time
- 10 % less weight
- Sportive feeling, full traction

#### Future potential

Transformation of technology to other gearboxes

### Oerlikon Vacuum



DRYVAC platform with superior performance

#### Innovation core

Redesign to cost with high standardization and modularization

#### Key customer benefits

- Energy saving of up to 30 %
- Reduced CoO by up to 20 %
- Lowest noise and vibration

#### Future potential

Building up a platform based product generation

# 3YBP Example: Portfolio Enhancement (2/2)

## Innovations based on CHF 239 m R&D investment



### Oerlikon Solar



ThinFab: Regained cost-leadership with further benefits

#### Innovation core

Key components redeveloped to increase performance (thinner coatings, higher throughput)

#### Key customer benefits

- Cost leadership with € 0.5 Wp
- Clean, non-toxic solution
- Benefits in real life

#### Future potential

Further significant cost reduction (lab cell efficiency 11.9 %)

### Oerlikon Coating



BALINIT ALNOVA: continues success of AlCr coatings

#### Innovation core

New coating compositions, optimization of coating properties

#### Key customer benefits

- Tool performance up 30 %
- Clean – no lubrication needed
- High quality of tooled parts

#### Future potential

Entering new applications and markets with PVD technology

### Oerlikon Systems



SOLARIS: Launch of high-speed nano coating system

#### Innovation core

Integration of flexible and high speed transport mechanism

#### Key customer benefits

- Lowest CoO
- Uptime of > 95 %
- Less maintenance

#### Future potential

Entering new applications and markets (.e.g. touch panels)

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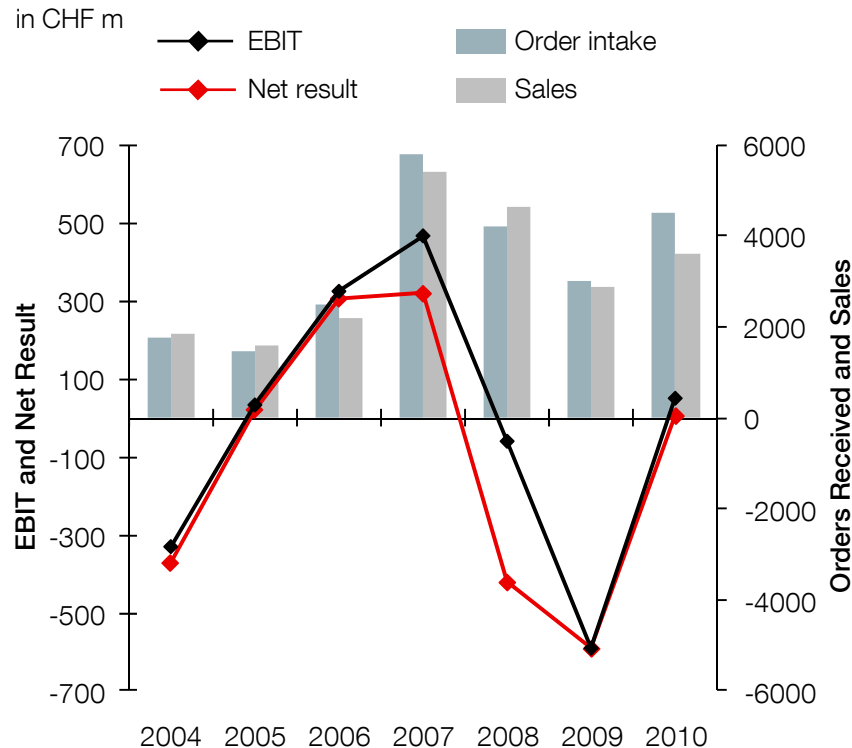


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- 3 Business Strategy
- 4 Outlook & Summary**

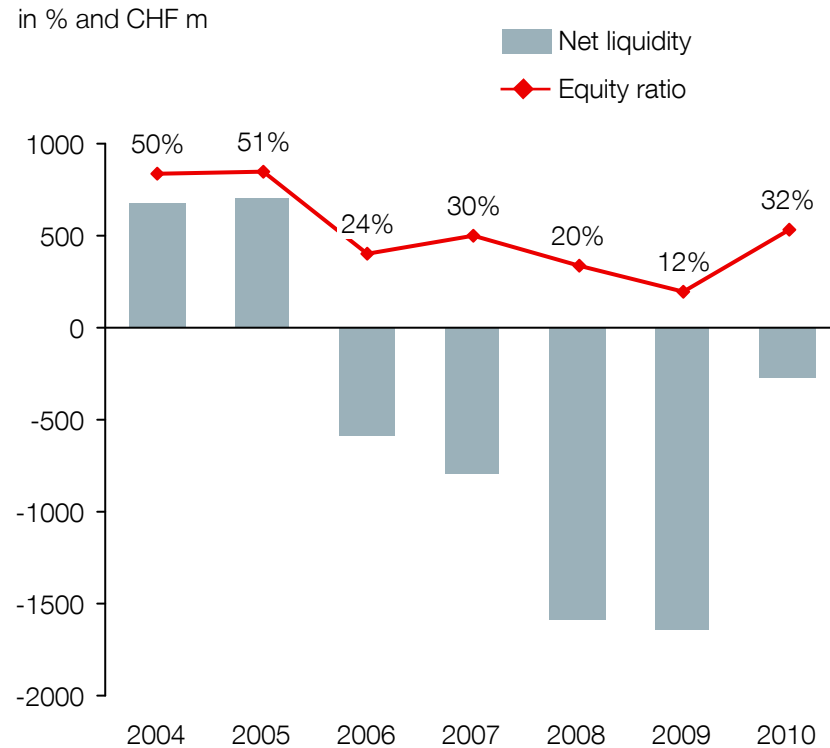
# Overview historical key figures Oerlikon shows strong recovery 2010



## Order intake, sales, EBIT and net result\*



## Net liquidity and equity ratio\*



**Stabilized top line and highest EBIT / net result improvement on a yearly base**

**Positive net liquidity increase and solid equity ratio**

\* 2007 – 2009 continuing operations [Source: Annual Report 2008 page 132, Annual Report 2009 page 137]

\* For 2010, continuing operations of Oerlikon Group report an EBIT before restructuring and impairment of goodwill of CHF 103 million. [Source: Annual Report 2010 page 95, page 131, page 145]

\* Net liquidity includes marketable securities, treasury shares at market value as of December 31 as well as current and non-current debt



## Guidance

- Orders: Slight reductions as overall market demand normalizes due to Oerlikon Textile, Vacuum and Advanced Technologies
- Sales: Overall sales growth of up to 10 % driven by Oerlikon Textile (strong order book) as well as Drive Systems, Coating and Solar
- EBIT: In 2011 further growth in profitability, with levels already nearing Oerlikon's operationally best years driven by Oerlikon Textile, Vacuum, Coating and Advanced Tec. Oerlikon Drive Systems back to profitability Oerlikon Solar to reach break-even

In the coming years, Oerlikon Group aims at exceeding historically best margins and achieving best-in-class positions.

**Strong business performance in Jan-Feb 2011 supports outlook for the whole year 2011**

## On the way to our COMEBACK

- Regained financial stability with 32 % equity ratio and net debt of CHF 274 million
- Board of Directors and Executive Committee renewed, management structures realigned
- Operational recovery stronger than expected with EBIT improvement of CHF 640 million to CHF 51 million and a positive net result of CHF 5 million
- Strong Asian footprint and Innovations as growth drivers
- Tight cost and working capital management to improve margins

## In a SUSTAINABLE manner

- 3YBP as a systematic tool to long-term profitable growth based on clear strategic objectives and comprehensive, detailed operational measures
- Cultural change initiated with renewed Identity and new focus on people development
- Oerlikon Textile, Vacuum, Coating, Advanced Technology already on course
- For Oerlikon Drive Systems and Solar strategic and operational actions initiated
- Tight and consistent governance of operational businesses
- Aim to continuously increase value and achieve “best-in-class” positions mid term

# On the way to a Sustainable Comeback



**THANK YOU!**

