

# Capital Market Days 2011

## August 23 -24

Oerlikon Group – Group Overview

Dr. Michael Buscher, CEO

August 23, 2011



**1** Recent History and Lessons Learned

**2** Oerlikon Today

**3** Oerlikon's Potential

**4** Conclusions

**1** Recent History and Lessons Learned

**2** Oerlikon Today

**3** Oerlikon's Potential

**4** Conclusions

## Unaxis 2003 - 2005

- Missing/changing strategic orientation and several changes in Top Management
- Display and Etching businesses generated significant losses
- Lack of operational performance focus

## Oerlikon 2006

- Acquired Saurer larger than Oerlikon without strategic plan
- Highly leveraged, expensive acquisitions deteriorated B/S structure (Debt, Goodwill, etc.)
- Lack of operational performance focus

## Oerlikon 2007 – March/2010

- Lack of transparency, reporting challenges (Restatement of 2007 financials)
- Huge legal complexity, lack of integration
- Lack of operational improvement focus
- Financial crisis/global recession met with weak capital structure and insufficient skills to manage the cyclicity

## Oerlikon April/2010 -

- Financial restructuring results in strong B/S
- Consistent strategy management
- Comprehensive value and performance management
- Strong focus on improving operational performance and the management of cyclicity

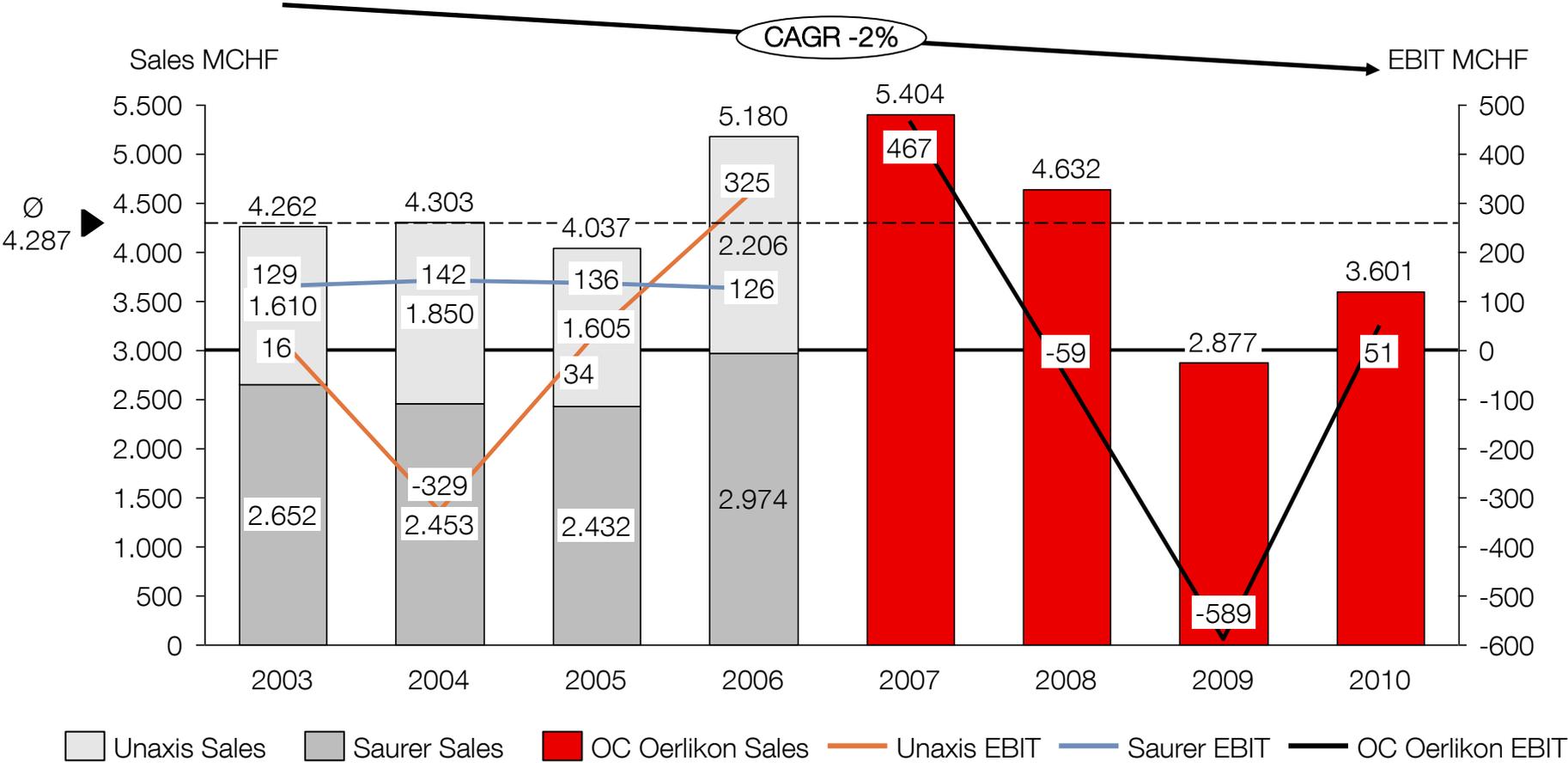
# Positioning, Management and M&A Activities (1/2)

<b>Unaxis</b>				
Year				
<b>Changes in Business Portfolio</b>	Five Segments (at YE 2003): - Vacuum Solutions - Coating Services - Semiconductor Equipm. (Wafer Processing, Assembly & Packaging (Esec), Display Technology) - Data Storage Solutions - Components and Special Systems (Optics and Space Technology)	same as in 2003, with exception of discontinued Display Technology	Six Segments - Vacuum Solutions - Coating Services - Semiconductor Equipment (Wafer Processing and Assembly & Packaging (Esec)) - Data Storage Solutions - Components and Special Systems (Optics and Space Technology), - Solar (incl. liquidated Display Technology)	Five Segments - Vacuum - Coating (incl. Solar and Systems) - Textile - Drive Systems - Components (Optics, Space, Solutions and Assembly Equipment (Esec))
<b>Strategic Focus</b>	Re-alignment of Group structure from 8 divisions into 5 segments with focus on end-user markets	Continued restructuring started in prior year. Focus on 'profitable' business activities in Thin Film and Vacuum Technology	Turnaround under new ownership to become a 'premium' high-tech company. Launch of the Solar business	Rebranding of Unaxis as Oerlikon. Re-organization focusing on high-tech machines and plant construction
<b>Anchor Investor</b>	Bührle	Bührle	Victory	Victory
<b>Corporate Structure</b>	Strategic Management Holding	Strategic Management Holding	Strategic Management Holding	Integrated, centrally managed corporation with matrix organization
<b>Management Changes</b>		Change of CEO (interim)	Changes of BoD and CEO	
<b>Major Acquisitions</b>	no	no	no	Saurer AG (CH); Exitech Ltd. (UK) Micro-laser systems integrated into Optics; Solar Array Drive Mechanism business of Snecma Moteurs (F); Gold Star Coatings (US); 21% of Novalux Inc. (US), semiconductor laser technology
<b>Major Dives- tures</b>	no	Termination of Display Technology after heavy losses.	no	no

# Positioning, Management and M&A Activities (2/2)

Oerlikon				
Year				
<b>Business Portfolio</b>	Six Segments - Textile - Drive Systems - Vacuum - Solar - Coating - Components (Optics, Space, Assembly & Equipm (Esec))	Six Segments - Textile - Drive Systems - Vacuum - Solar - Coating - Advanced Technologies (Optics, Space, Systems, Esec)	Six Segments - Textile - Drive Systems - Vacuum - Solar - Coating - Advanced Technologies (Systems)	Six Segments - Textile - Drive Systems - Vacuum - Solar - Coating - Advanced Technologies (Systems)
<b>Strategic Focus</b>	Decentralization	Restructuring, cost-cutting, realignment of Group HQ	Restructuring, cost-cutting, cash preservation	Re-financing and turn-around
<b>Anchor Investor</b>	Victory and Renova	Renova and Victory	Renova	Renova
<b>Corporate Structure</b>	Transition from Integrated Corporation to Financial Holding	Financial Holding	Financial Holding	Strategic Management Holding
<b>Management Changes</b>	Changes on BoD and CEO	Changes on BoD	Change of CEO (interim)	Expansion of BoD and Change of CEO
<b>Major Acquisitions</b>	- SiLas Laser (DE), laser scribing; - VST Keller (DE), coating techn. for large forming dies	no	no	Hartec GmbH (DE) Coating Services
<b>Major Dives- tures</b>	no	Optics; Blue-ray and magnetic media businesses	Space; ESEC	no

# Historical Operational Performance



Lessons Learned	Way Forward
<p><b>Management</b></p> <ul style="list-style-type: none"><li>▪ Fragmented corporate culture</li><li>▪ From corporate center via financial holding to strategic management holding</li><li>▪ Governance deficits to manage complexity</li><li>▪ Lack of management accountability and transparency</li><li>▪ Permanent management changes</li></ul>	<ul style="list-style-type: none"><li>→ New comprehensive Corporate Identity</li><li>→ Clear roles of corporate and segments</li><li>→ Top Management continuity</li></ul>
<p><b>Strategy</b></p> <ul style="list-style-type: none"><li>▪ Acquisition without focusing on value generation</li><li>▪ Missing/changing strategic orientation</li></ul>	<ul style="list-style-type: none"><li>→ Strategy management system: 3YBP, Value and Performance Management</li><li>→ Improved intelligence of macroeconomic trends, leading industry indicators and own order pipeline</li><li>→ Clear guidelines for resource allocations and capital investments</li></ul>
<p><b>Operations</b></p> <ul style="list-style-type: none"><li>▪ Changes in macro environment underestimated</li><li>▪ Impact of industry cyclicality underestimated</li><li>▪ Lack of operational improvement and profitability focus</li><li>▪ Flexibility of own value chain not well managed</li></ul>	<ul style="list-style-type: none"><li>→ Methodologies deployed to maximize the RONA of Segments</li><li>→ Strong emphasis on operational improvement and exploitation of potential</li><li>→ Methodology to manage cyclicality</li><li>→ Definition and implementation of key business processes</li></ul>

**1** Recent History and Lessons Learned

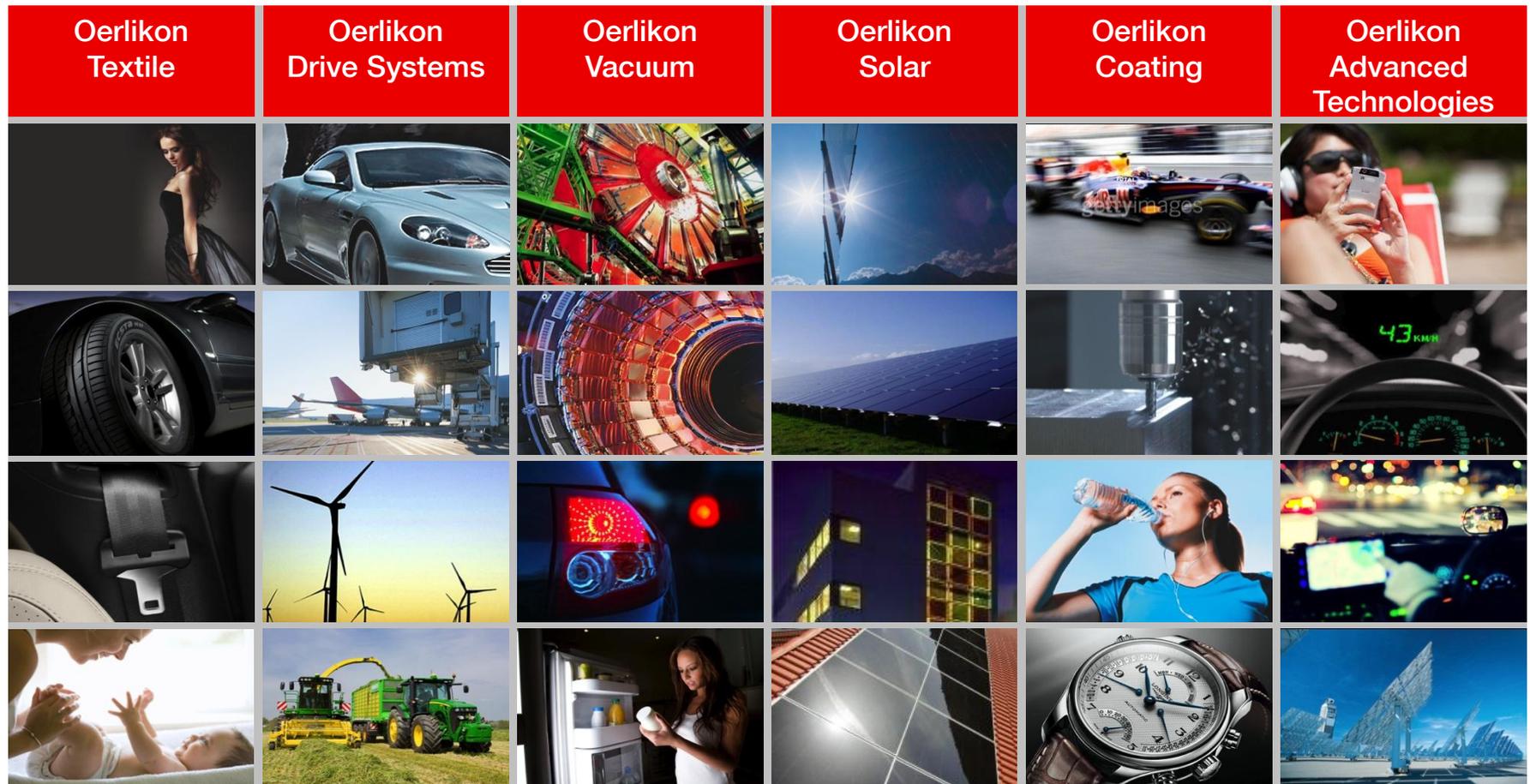
**2** Oerlikon Today

**3** Oerlikon's Potential

**4** Conclusions

# Portfolio Characteristics

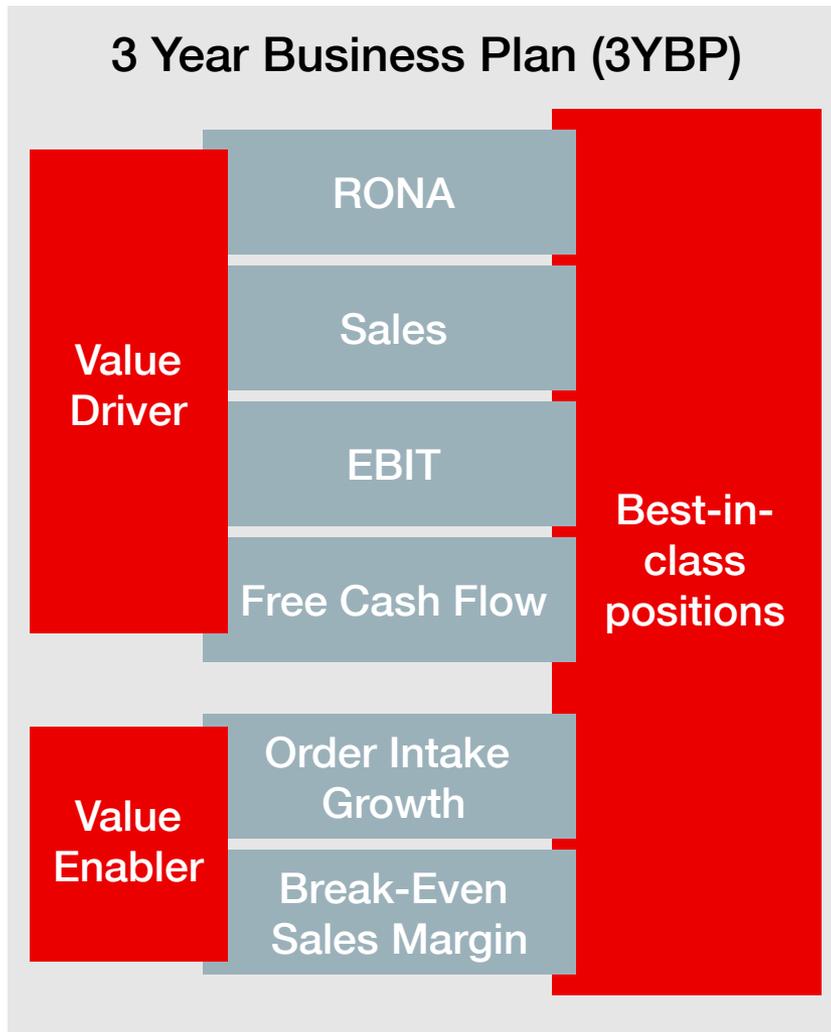
- Innovative technology conglomerate
- High quality businesses with leading market positions in global markets
- Innovation is at the core of the business model across all segments



# Customer Base Characteristics

- Preferred technology supplier to technology leaders in their respective industries
- Global customer base and world leading brand names
- Strong long-term customer relationships





- To continuously increase the value of Oerlikon in a sustainable manner, key targets and implementation plans for the Group are clearly defined and consolidated in the 3YBP
- Oerlikon aims to increase its value in a structured and consistent manner (Value Drivers) and to build up “Management of Cycles” as a core competency (Value Enabler)
- Designed to allow timely interventions and to facilitate speedy, informed decision making, the Oerlikon-specific Performance Management System will be implemented toward the end of 2011

**Sustainable business success is based on the company's value, which is determined by its capability to:**

- Provide sustainable and high returns on invested capital
- Operate in attractive industries with considerable growth opportunity
- Manage cyclical up- and downturns effectively

**All Oerlikon Segments / Business Units operate in demanding industries; intense focus on certain key measures will inform our decisions to maximize the value of the Group.**

**These are:**

1. Best-In-Class-Position
2. Return on Net Assets (RONA)
3. Sales and Sales Growth\*
4. Earnings before Interest and Taxes (EBIT) and EBIT Growth\*
5. Free Cash Flow (FCF) and FCF Margin\*
6. Order Intake and Order Intake Growth
7. Break-Even Sales (BES) Margin

Although RONA is considered the most important value driver, a Best-In-Class position can only be earned with outstanding performance in all items 2 – 5. The efficient management of cyclicity is secured by the value enablers in 6 and 7.

\* for Peer Group Comparison

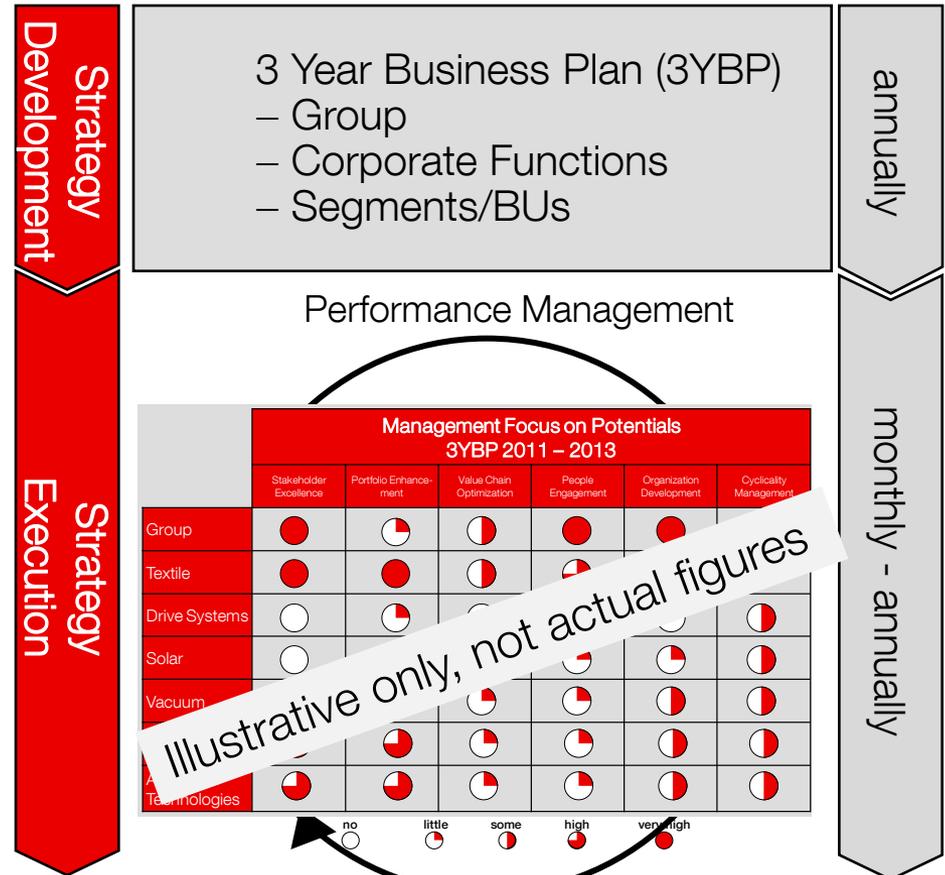
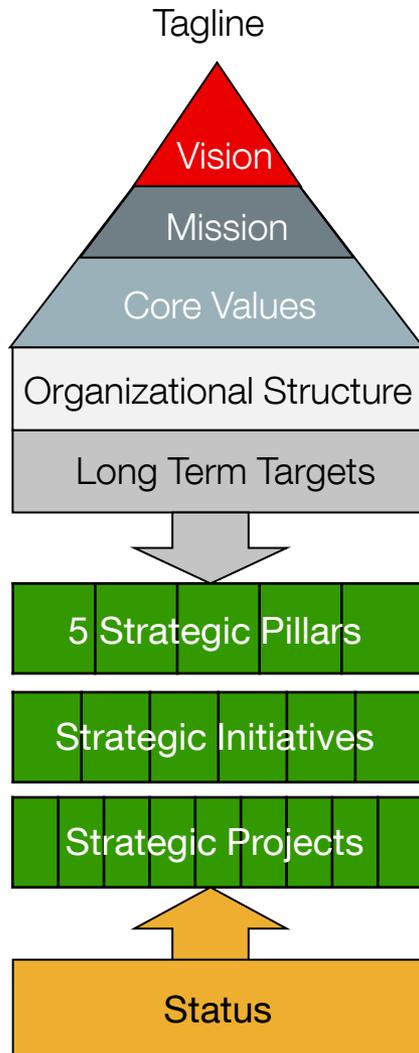
## Corporate Headquarter contributes as a strategic holding

- Corporate determines strategic guidelines and sets targets
- Corporate manages the overall performance and a portfolio of change projects
- Oerlikon Group works with a decentralized management structure
- Segments and Business Units are fully responsible for operations and for strategy implementation

## Special Corporate Responsibi- lities

- Core business processes as well as operational and strategic tasks of Finance, HR, Business Development, Legal, Procurement and Communications, IR, Marketing & Brands, etc.
- Secure continuous financial and operational improvement
- Centralized Capex management
- Centralized Cash management
- Transfer pricing
- Tax-efficient structures
- Management or divestiture of assets (real estate, etc.)
- Establish „Shared Services“ (IPR in China etc.)
- Establish Best Practice Sharing

# 3YBP – Value & Performance Management System **oerlikon**

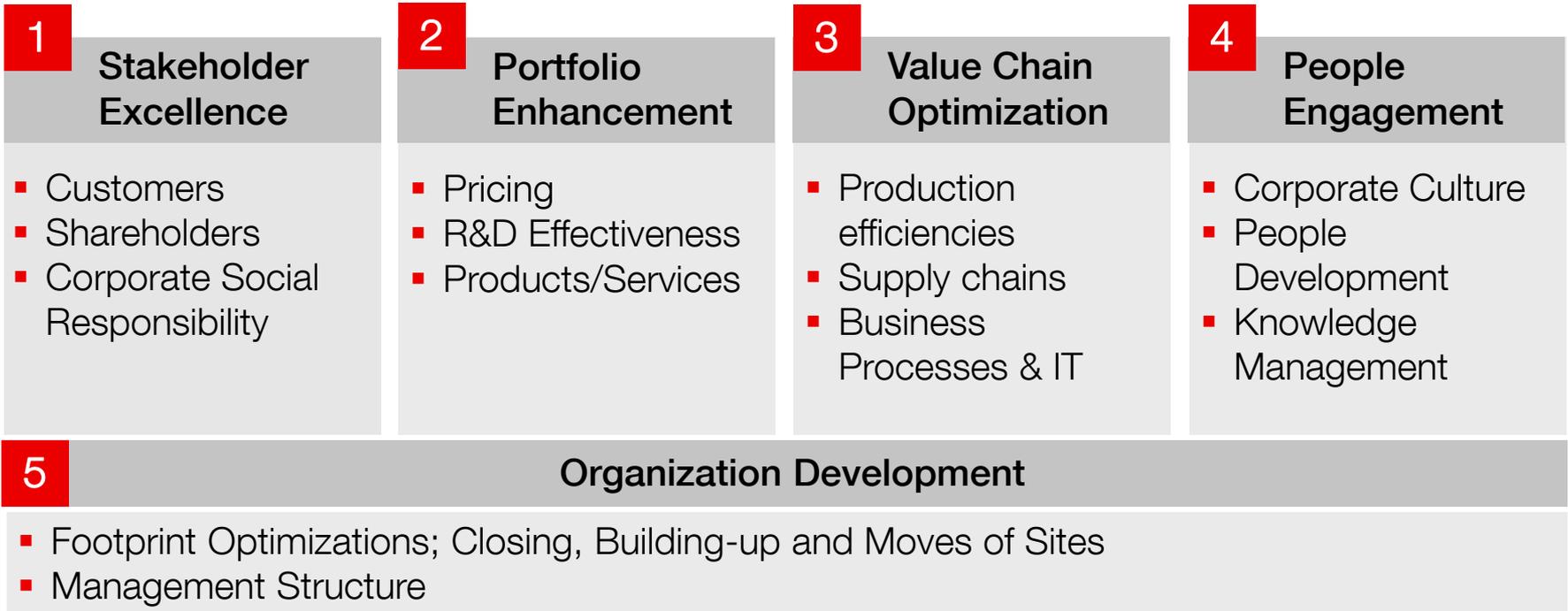


KPIs to manage performance

Key Figures to track "health"

# 3YBP - Strategic Pillars and Target Setting

RONA, BES Margin	Oerlikon	Textile					Drive Systems	Vacuum	Solar	Coating	Adv. Techn.
		OBA	ONE	OSA	OSC	OTC					
2012 -14		RONA and BES Margin targets set for 3YBP periods, annually revised									



## Stakeholder Excellence

- Systematically identify and define profitable markets and customer groups with capture plans
- Build trust and create loyalties with external parties
- Secure sustainability and corporate social responsibility

## Portfolio Enhancement

- Enhance professional value based pricing
- Create processes for new ideas and profitable, sales generating breakthrough innovations
- Build competitive Product and Service Portfolios with increased standardization

## Value Chain Optimization

- Improve production capabilities and efficiencies
- Enhance supply chain capabilities including supplier relationships
- Define & implement effective, efficient processes and process governance incl. IT

## People Engagement

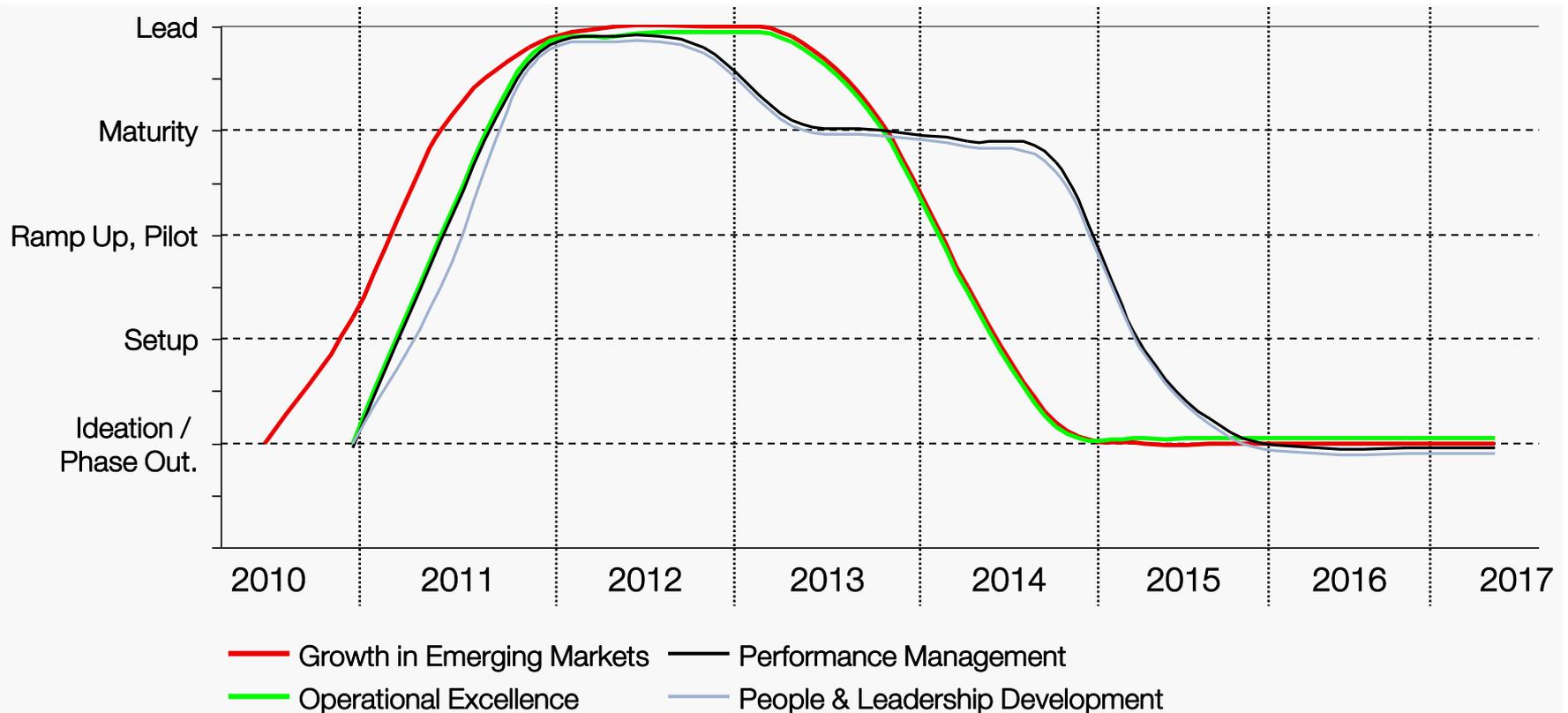
- Further develop and establish corporate culture
- Be passionate about people development: search, select, develop, coach, reward and retain
- Define and manage core knowledge

## Organization Development

- Develop footprint which optimizes our assets vis-à-vis the location of our customers and best-cost suppliers to ensure international competitiveness
- Strive for lean, effective and efficient organizations incl. management structures

# 3YBP – Corporate Driven Initiatives

- Strategic initiatives have top-level support
- Initiatives are communicated throughout the organization
- Clear roles and responsibilities for the implementation are established

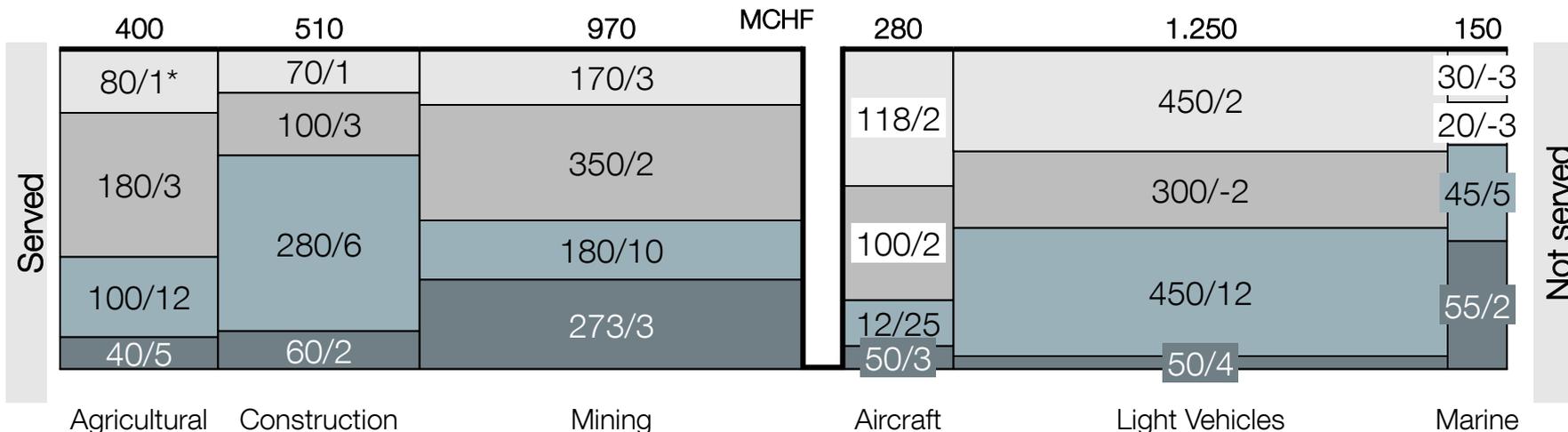


# 3YBP – Segment Extracts

## Market Segments and Key Drivers

\*Current Market Volumes (MCHF) and CAGR '11-'14

Europe
  Asia  
 N.America
  others



### Key Drivers for Served Market Segments

**Agricultural Equipment**

- ...
- ...
- ...

**Construction Equipment**

- ...
- ...
- ...

**Mining Equipment**

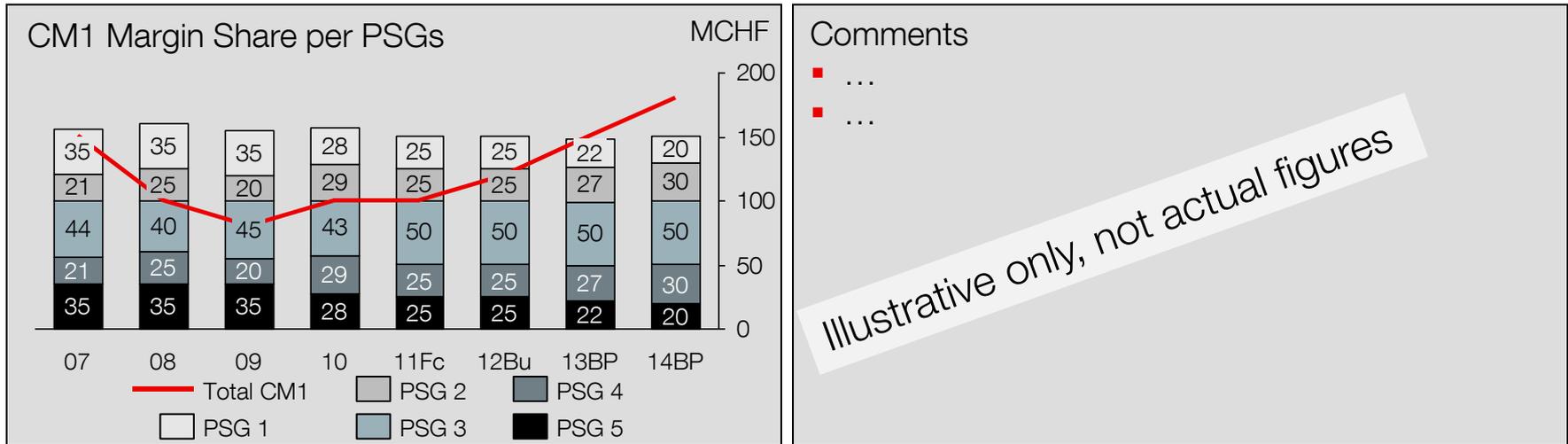
- ...
- ...
- ...

### Opportunities in not Served Markets

Illustrative only, not actual figures

# 3YBP – Segment Extracts

## Profitability per Product/Service Group

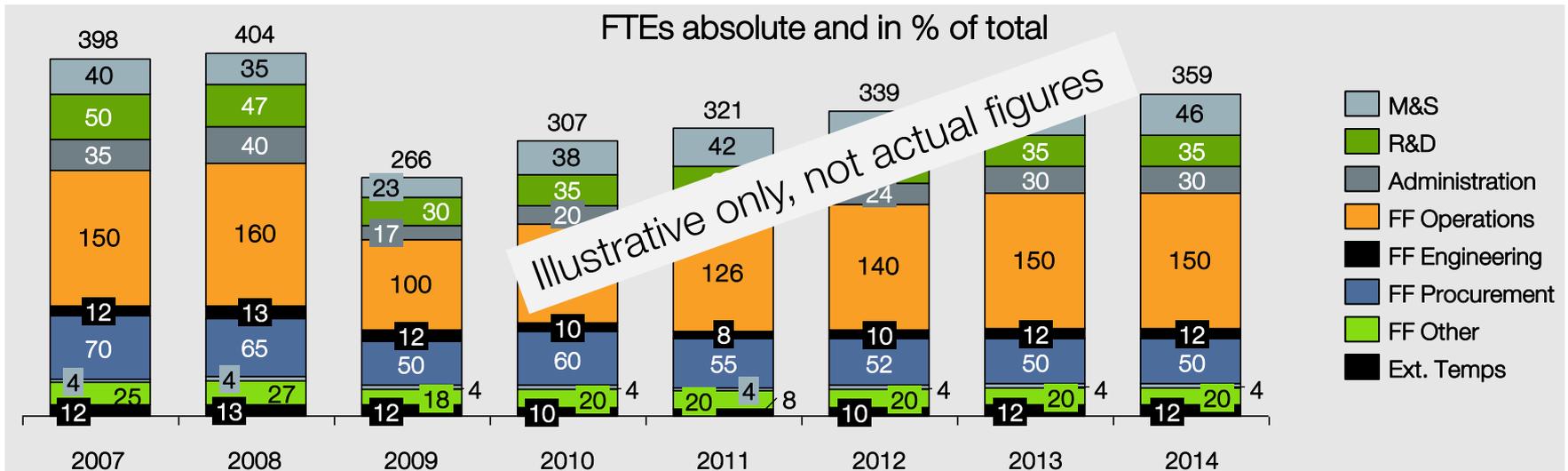
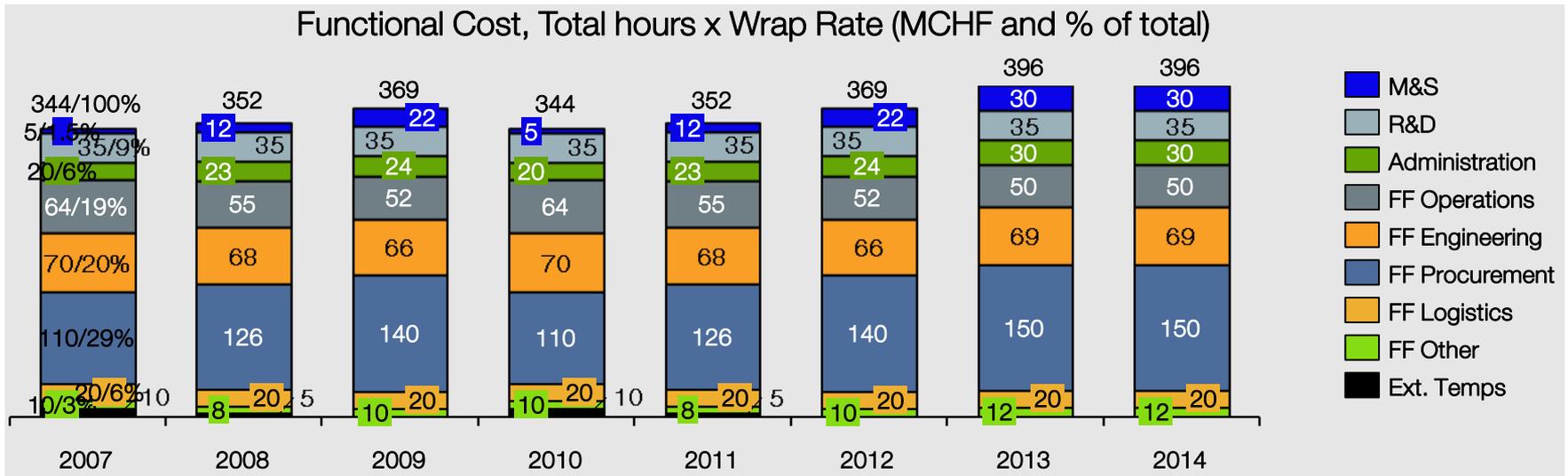


CM1 Margins per PSGs

Product/Service Group	07	08	09	10	11 Bu	11 Fc	12 Bu	13 BP	14 BP

# 3YBP – Segment Extracts

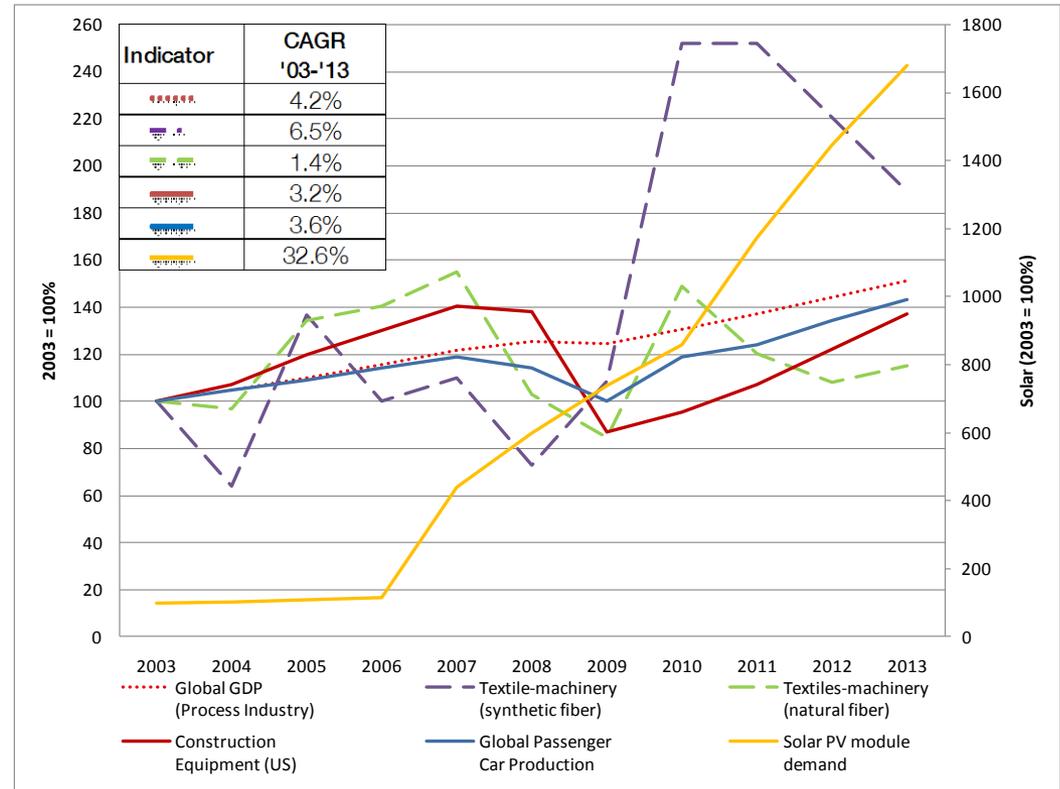
## Structural Overview



## Industry Cycles considered in Scenario Planning

Oerlikon's Segments carefully analyze relevant leading industry indicators for their scenario planning

- **Textile**  
The textile industry is a mature, volatile and early cycle business
- **Drive Systems**  
Mature on-/off-highway automotive and construction equipment industries are late in cycle
- **Vacuum**  
Main market, the process industry correlates closely with GDP; growing weight on Asian markets
- **Solar**  
Highly dynamic solar PV market yet has no cycle, only growing
- **Coating**  
Automotive industries drive the coating service business



# 3YBP – Segment Extracts

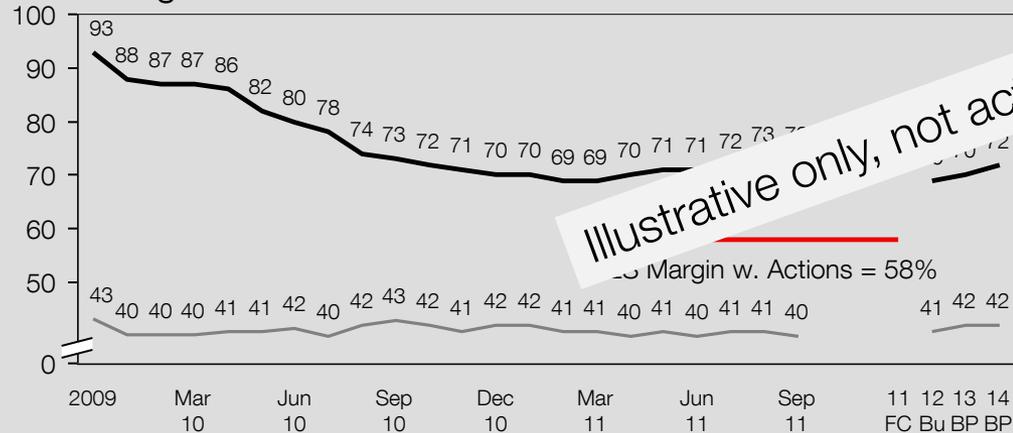
## Scenario Planning - Actions

Order Intake during „Downturn“ & Scenario



Month 1=xx

BES Margin



Illustrative only, not actual figures

Targets	12	13	14
---------	----	----	----

BES Margin min.			
-----------------	--	--	--

Actions

■ ...

Conclusion

■ ..

**1** Recent History and Lessons Learned

**2** Oerlikon Today

**3** Oerlikon's Potential

**4** Conclusions

# Megatrends

## Rationale

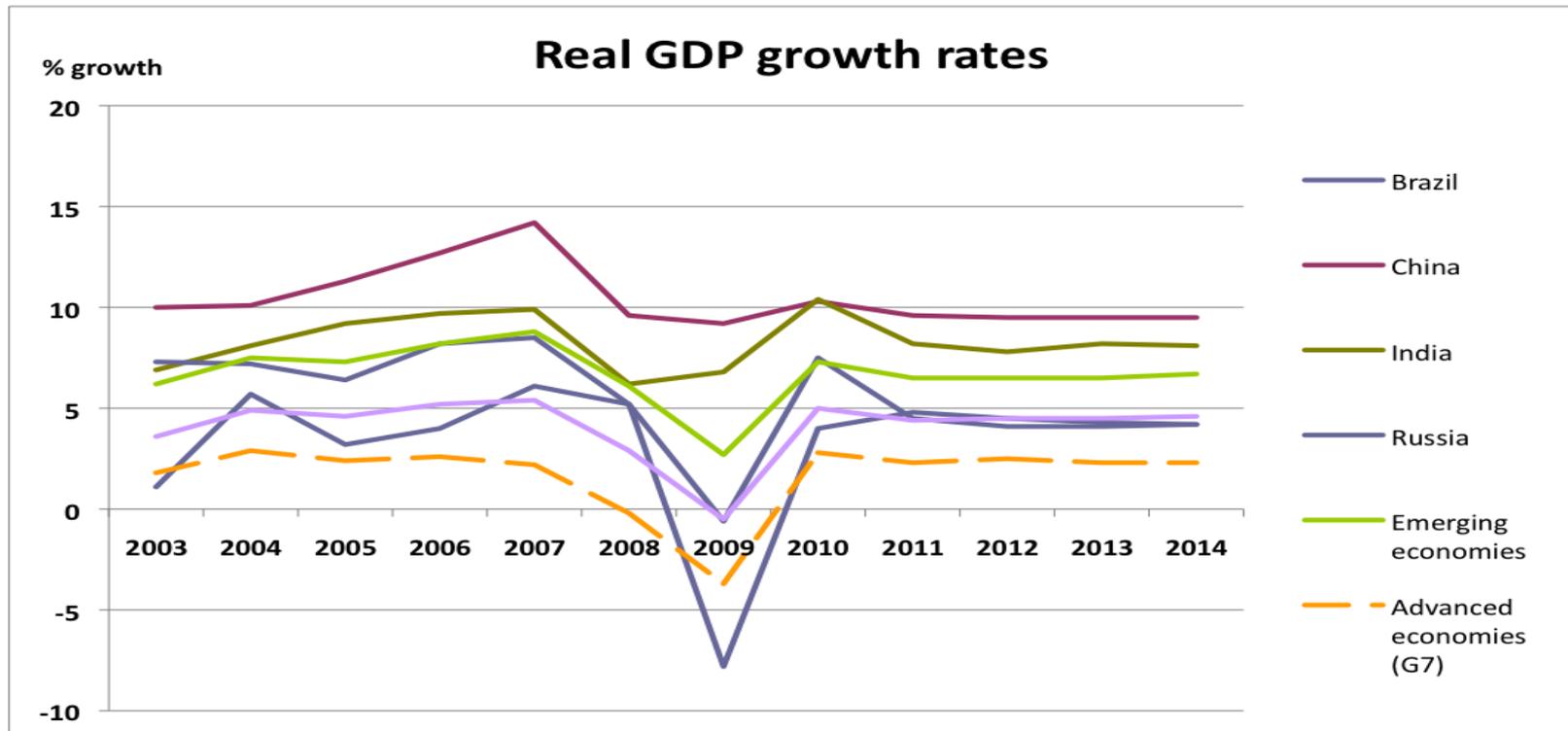
### Megatrends

- 1 Demographics – Urbanization – Middle class expansion
- 2 Shift of powers and redistribution of wealth
- 3 Environmentalism
- 4 Globalization of businesses
- 5 Connectivity and productivity

- Trend researchers define and track as many as 100 different global trends
- From an Oerlikon perspective, 5 megatrends have been filtered and defined which have global importance and a direct, significant impact on Oerlikon's regional growth potential
- The megatrends evaluated present both opportunities and challenges. Most have a “potentially” positive impact on Oerlikon's businesses

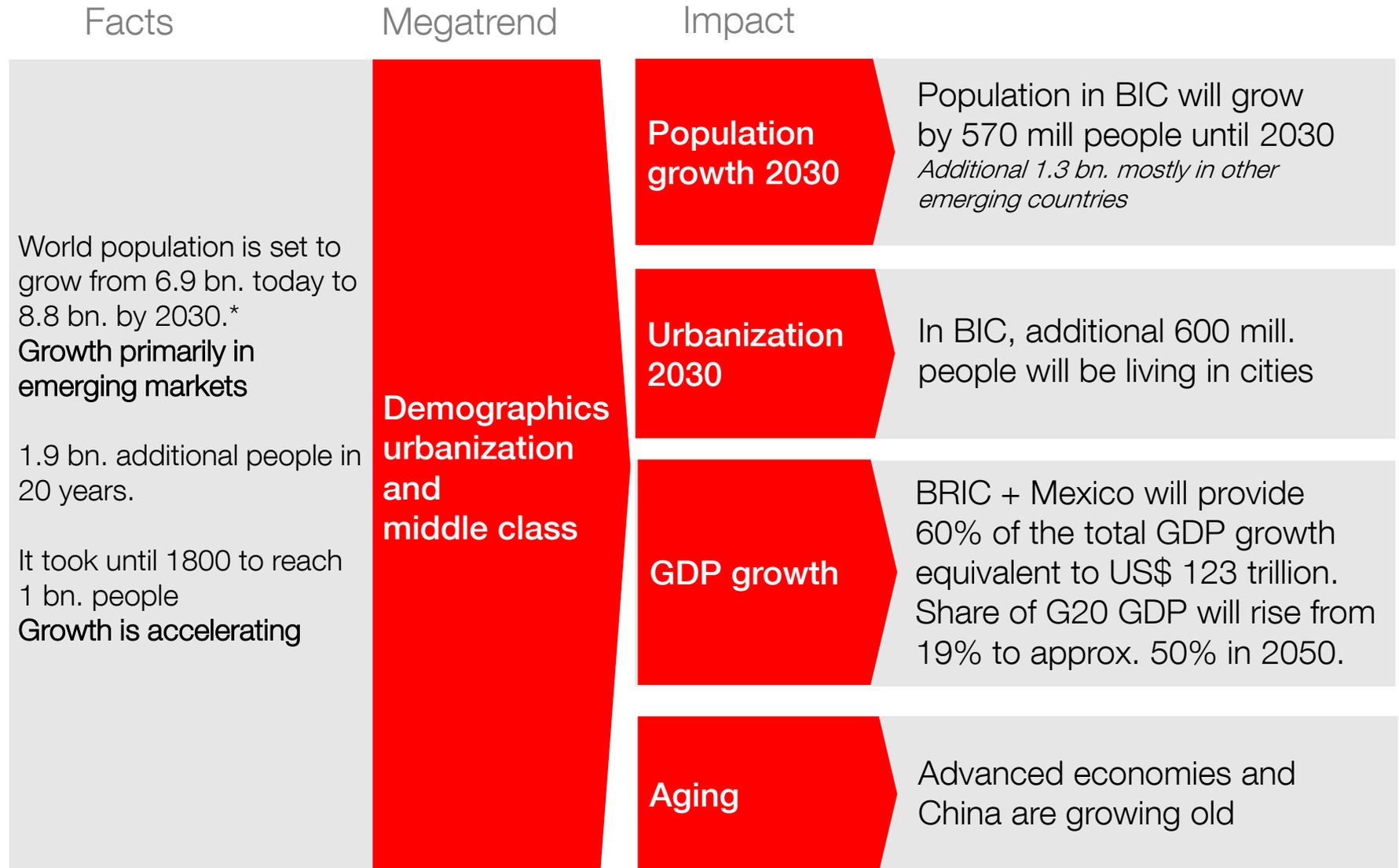
## Cause Different Growth Rates in Different Regions

- Beside macro-economic factors megatrends have a direct impact on regional growth perspectives
- Unbalanced 2-speed growth (advanced economies with low growth vs. emerging economies with high growth rates).
- 50 - 70% of growth will come from emerging markets between 2011 - 2020



# Megatrends

## Quantifiable Impact – Example (1/2)



\*Source: UN Population Division 2011

# Megatrends

## Quantifiable Impact – Example (2/2)

### Impact

#### Population growth 2030

Population in BIC will grow by 360 mill people until 2030  
*Additional 640 mill. mostly in other emerging countries*

#### Urbanization 2030

In BIC, additional 600 mill. people will be living in cities

#### GDP growth

BRIC + Mexico will provide 60% of the total GDP growth equivalent to US\$ 123 trillion. Share of G20 GDP will rise from 19% to approx. 50% in 2050.

#### Aging

Advanced economies and China are growing old

#### Infrastructure

Physical infrastructure such as electricity, water supply and transportation will be required to cope with a growing urban population and middle class. Asia alone will invest 7.5 trillion in infrastructure by 2020.

#### Energy

India has established a governmental program budgeted at US\$ 10bn for building 17 GW electricity production facilities using alternative energy (primarily wind and solar) between 2012 - 2017

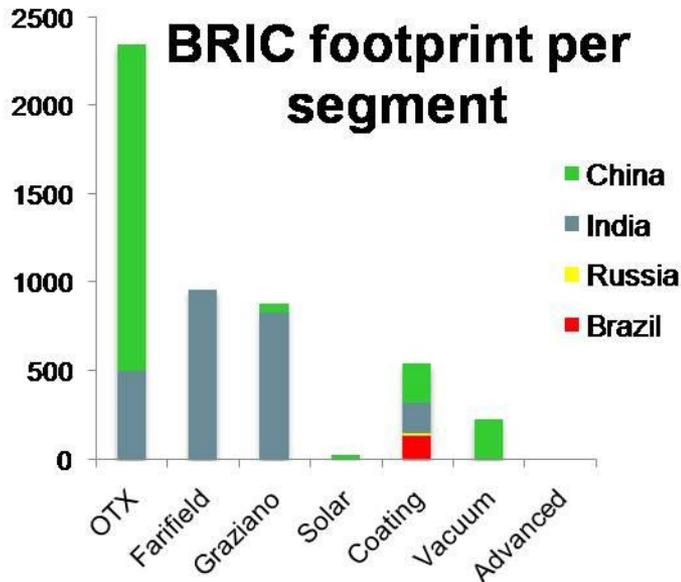
#### Consumer electronics

India and China have both reached more than 1 bn. mobile subscribers  
 Consumer electronics with double-digit growth rates

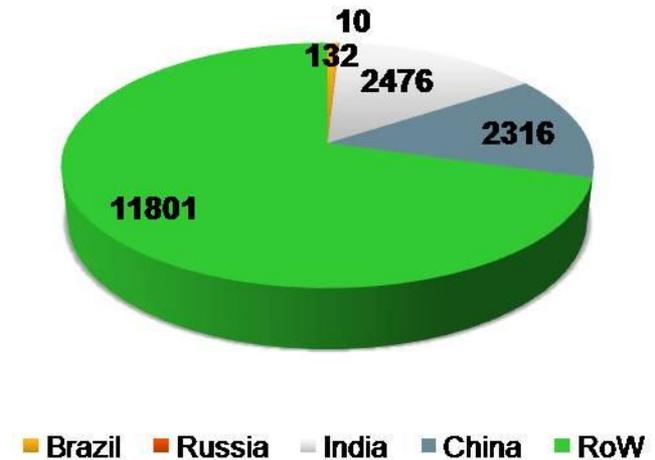
## Well Positioned to Exploit Megatrend Potentials

BRIC (2010)	sqm	FTE				
		Total	M&S	R&D	OPS	Admin
Brazil	8'030	132	16		105	11
Russia	1'400	10	1	0	3	6
India	49'257	2'476	287	8	2'006	143
China	116'076	2'316	208	72	1'861	46
<b>Total</b>	<b>174'763</b>	<b>4'934</b>	<b>512</b>	<b>80</b>	<b>3'975</b>	<b>206</b>

### BRIC footprint per segment



### FTE in BRIC



# Oerlikon's Potential (1/3)

## 5 Megatrends' Chain of Effects

Sub trends

Megatrends

Impact

**Aging:** Japan, Korea other advanced economies and China  
**Population growth:** emerging markets  
**Rapid urbanization:** middle class, dispensable income, infrastructure, construction  
**Trade up / trade down:** smart products  
**New consumer markets:** BRIC

**Demographics**  
**Urbanization**  
**Middle Class**

- Aging → healthcare → vacuum technology → **Vacuum**
- Middle class → India and China → consumer electronics → nanotechnology → **Advanced Technology**
- Middle class → emerging markets → lifestyle → sophisticated and high end textile fabrics → **OTX**
- Urbanization → mobility → automotive demand → **ODS, Coating, Advanced Technology**
- Trade down for „Smart products” (70% functionality, 40% cost) → **all Segments**
- Infrastructure → emerging markets → construction equipment → power train technology → **ODS**

**Power shift:** from advanced economies to emerging countries (India & China)  
 2-speed economy  
**Global divide:** wealth disparity, social responsibility  
**Trade:** increased integration and global trade  
**Location:** Shift of consumer location

**Shift of Powers**  
**Redistribution of Wealth**

- Emerging markets increased influence and power → Striving toward technological leadership → investments in high tech and cleantech → **BRIC → Solar, OTX, Coating**

# Oerlikon's Potential (2/3)

## 5 Megatrends' Chain of Effects

Sub trends

Megatrends

Impact

**Energy production;** production (sources of energy and mix.

**Energy efficiency;** transportation, buildings and industries.

**Energy storage;** battery technology, super capacitors, compressed air energy storage, etc.

**Water;** scarcity, purification and filtering

**Materials;** innovative and new materials, waste and recycling, material scarcity  
high commodity prices

**Environmentalism**

- Energy production → alternative energy → solar energy → nano and vacuum technology → **Solar, Advanced Technology and Vacuum**
- Energy production → alternative energy → power train technology → **ODS**
- Energy efficiency → Innovation for energy saving, waste and use of raw materials → **OTX**
- Energy conversion & efficiency → PV modules, power devices, solid state lighting → **Solar, Advanced Technology**
- Energy efficiency → High pressure fuel injection systems for combustions engines → hard and lubricant coatings → **Coating**
- Water scarcity → chemical industry → vacuum technology → **Vacuum**
- Environmental protective processes → replace old technology → vacuum technology → **Vacuum**

# Oerlikon's Potential (3/3)

## 5 Megatrends' Chain of Effects

Sub trends	Megatrends	Impact
<p><b>Competition</b> emerging markets global competitors</p> <p><b>Mobility of workforce</b></p> <p><b>Sourcing and commoditization</b> R&amp;D location; shift of location toward emerging markets</p> <p><b>Global scale</b>, roll-out, faster time to market, Brand affinity</p>	<p><b>Globalization of Businesses</b></p>	<p>Only trend with potential adverse impact because “Rapidly Developing Economies” like China compete not only for customers but also for scarce R&amp;D resources</p> <ul style="list-style-type: none"> <li>▪ Increased competition → price pressure → <b>Vacuum, Advanced Technology, OTX</b></li> <li>▪ Globalization → entire value chain → global presence → Oerlikon's already established strong footprint in rapidly developing markets is further expanded</li> </ul>
<p><b>Industry automation:</b> for higher productivity</p> <p><b>Connectivity:</b> information, transparency, mobility, internet smart devices (mobile phones, consoles, gaming, e-books, netbooks)</p> <p><b>Productivity</b> gains from other technologies</p> <p><b>Electricity access;</b> Grid optimization and decentralized solutions</p>	<p><b>Connectivity and Productivity</b></p>	<ul style="list-style-type: none"> <li>▪ Automation for productivity gains and less labor → lower cost → <b>ODS and OTX</b></li> <li>▪ Productivity gains → drive down cost of solar technology → <b>Solar</b></li> <li>▪ Electricity access in regions with limited grids → solar power → <b>Solar</b></li> <li>▪ Automation and productivity gains drive demand for high end production methods → vacuum technology, textile equipment → <b>Vacuum and OTX</b></li> </ul>

**1** Recent History and Lessons Learned

**2** Oerlikon Today

**3** Oerlikon's Potential

**4** Conclusions

## Management

- Renewed Corporate Identity
- Clarity of Corporate vs. Segment roles
- Increased transparency

## Strategy

- Established a comprehensive strategy management system for the entire Group
- Intelligence and understanding on trends and cyclicalities
- Guidelines on resource allocation and capital investment

## Operations

- Methodologies deployed to maximize the RONA of Segments
- Targets for value drivers and enablers
- Methodology to manage cyclicalities
- Better positioned to act on potential up and down swing

## Potential

- Relentless and continuous improvement across the entire value chain
- Understanding of megatrends and technology trends facilitate the exploitation of opportunities in regional emerging markets
- Strong and innovative product pipeline for new value propositions in emerging markets due to “trade down” dynamics

Careful analyses of megatrends, macro-economics, industry cycles and Best-In-Class peers are transformed into plans addressing Oerlikon's improvement and growth potential within the framework of the 5 Strategic Pillars.

- In the 3YBP the Segments address the improvement potentials with Strategic Projects
- All Strategic Projects are tracked in a portfolio management system, which reports on committed resources and expected returns, creating transparency on Group-wide capital allocation

	Management Focus on Potential 3YBP 2011 – 2013					
	Stakeholder Excellence	Portfolio Enhancement	Value Chain Optimization	People Engagement	Organization Development	Cyclicality Management
Group						
Textile						
Drive Systems						
Solar						
Vacuum						
Coating						
Advanced Technologies						
	no	little	some	high	very high	

*Illustrative only, no actual figures*

# Capital Market Days 2011

## August 23 -24

Oerlikon Group – Group Overview

Dr. Michael Buscher, CEO

August 23, 2011



Oerlikon has made great efforts to include accurate and up-to-date information in this document. However, we make no representation or warranties, expressed or implied, as to the accuracy or completeness of the information provided in this document and we disclaim any liability whatsoever for the use of it.

This presentation is based on information currently available to management. The forward-looking statements contained herein could be substantially impacted by risks and influences that are not foreseeable at present, so that actual results may vary materially from those anticipated, expected or projected. Oerlikon is under no obligation to (and expressly disclaims any obligation to) update or alter its forward-looking statements, whether as a result of new information, future events, or otherwise.

All information provided in this document is not intended nor may be construed as an offer or solicitation for the purchase or disposal, trading or any transaction in any Oerlikon securities. Investors must not rely on this information for investment decisions.