

“Von Roll combines tradition with progress”



Thomas Limberger, what's so special about Von Roll?

We're a traditional Swiss company, but with a culture of consistent successful renewal. This culture, which is deeply ingrained in the daily working life of each and every member of staff, has made our business unit Von Roll Insulation the world market leader in insulation products and systems. We're an international company, and we're also expanding our expertise in innovative technical solutions in our business units, Von Roll Elco Transformers and Von Roll Composites. It's this combination of tradition, pioneering spirit and operational excellence that makes us so special, and we also enjoy a very strong position in other areas of technology.

How satisfied are you with the group's results for financial year 2008? And what were the major milestones during the year?

We set ourselves ambitious targets, and we achieved them: not just in sales and profits, but also business expansion and the introduction of a matrix organisation that aligns us even more closely with client requirements. In addition, we implemented internal programs to optimise our production and distribution processes, so we're more efficient now than we were a year ago, and everyone in the company can be justly proud of this. One of the key milestones was the acquisition last autumn of one of the world's leading transformer manufacturers, which has now become Von Roll Elco Trans-

formers. This diversification into energy transmission and distribution products is extending our activities in the value added chain in the energy sector and opening up new markets. Despite the difficult economic situation, for the long term all the signs are set for continued growth in the important energy sector.

You had your eye on various acquisition candidates during 2008. In what respect has your growth strategy changed?

Our strategy hasn't changed at all: it's the context that has changed. We believe we should wait and be patient rather than succumbing to the first temptation that comes our way. There are plenty of prominent examples among other companies that show the importance of timing when it comes to acquisitions. We're not under any time pressure.

Is this the right time for an acquisition, particularly from a financing point of view?

It's certainly become more difficult to obtain finance for acquisitions, but then the prices of companies themselves have fallen significantly as well. I believe we're gradually getting to a point where possible candidates are becoming attractive and affordable, and we'll be able to obtain finance for them. We are in a special position as we have a high equity ratio, which is a very good starting point at times like these.

Which sectors would fit best with Von Roll's growth strategy?

We believe the main potential for strategic expansion lies in energy and related sectors. It's important that these are driven by leading-edge technology and operate in markets where the overall trend points to long-term growth. There are also other sectors that may be of interest, such as water treatment, surface technology, lasers and energy technology components. Every area where we can use our technology know-how to add value is on our radar. Even though the general economic environment for 2009 is difficult, we believe there are good opportunities to make the structure of Von Roll broader and deeper.

Why does your growth strategy put such an accent on acquisitions?

Of course it's very important that we continue our organic growth, and we've made a great deal of progress in this respect, which is how we rose to be the world number one in the USD 2.3 billion electrical insulation market. But further growth also requires interests in related sectors, which is why we've added energy transmission and distribution products to our portfolio in the form of the new Von Roll Elco Transformers division. The transformer market is worth around USD 29 billion, making it ten times the size of our existing insulation market, and it obviously still offers a great deal of scope for technological innovation. We need to continue to invest if we're to exploit this growth potential to the full.

How is Von Roll being affected by the economic downturn?

We've got very strong order books to fall back on, which is a real advantage in the current environment. The majority of our sales are in the energy sector, which is less dependent on consumers' willingness to spend money. Governments in various countries are discussing and in some cases implementing subsidy programmes, and a large part of these are relate to infrastructure projects. The energy sector has a very special role to play here, which is good news for the national economies and good news for companies working in these sectors, including Von Roll.

How much are you going to cut down on costs?

Reducing our costs is primarily a question of efficiency. So far, we've been very successful in increasing our efficiency and not cutting jobs or closing sites, and we'll obviously keep striving to do this in future. For example, we've optimised our production locations by rethinking the product mix and giving our colleagues on site responsibility for profits. And for the first time in years, every site is turning in a profit again. If your processes are efficient, this results in improved growth and creates more jobs, and that's the track we're on now.

Can you keep up the same pace of growth in 2009?

It would be foolish to be anything other than very conservative about our growth forecasts for 2009, but we do expect sales and our margin to increase, which means we need to improve our internal efficiency to achieve organic profit growth. I'm very confident that Von Roll Insulation, Von Roll Composites and Von Roll Elco Transformers still have untapped potential in this respect.

Have you had to adjust your medium-term goals between now and 2012?

We still believe that through our expertise in the established segments, Von Roll Insulation and Von Roll Composites, we can double our sales and our EBIT margin by 2012. Our transformer manufacturing business will also boost sales, so we're on the right track.

Von Roll's shares have outperformed all other comparable Swiss stocks over the past five years. Why did they come under such pressure in the last few months of 2008?

Even our shares aren't immune from general trends in the stock markets. It happened because institutional investors were required by internal regulations to maintain specific weightings in their equity portfolios, and when prices went down, they were forced to sell our shares. That's what put the shares under pressure: the big fall in the share price over the last few months had nothing to do with Von Roll's operating performance. We know from experience that such turmoil in the equity market settles down again, although this is dependent on a lot of factors that are beyond our control. It doesn't worry me, because our investors take a long-term perspective and this gives us the time to do our homework as well. This will undoubtedly be reflected in our share price.

How do you measure your success?

The benchmarks are determined by the Board of Directors. They're mainly based on our profit and share price, though we've also set ourselves growth and profitability targets as part of our business operating system. We have introduced operating measures to achieve these targets and will continue to change our corporate culture. This will be rigorously linked to clearly defined corporate values so that every employee is focused on results and client satisfaction. Whether we succeed and exceed the benchmarks will depend on our shareholders, employees and clients.