

*Key Note – Best  
practices in operational  
restructuring process*

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# *Agenda*



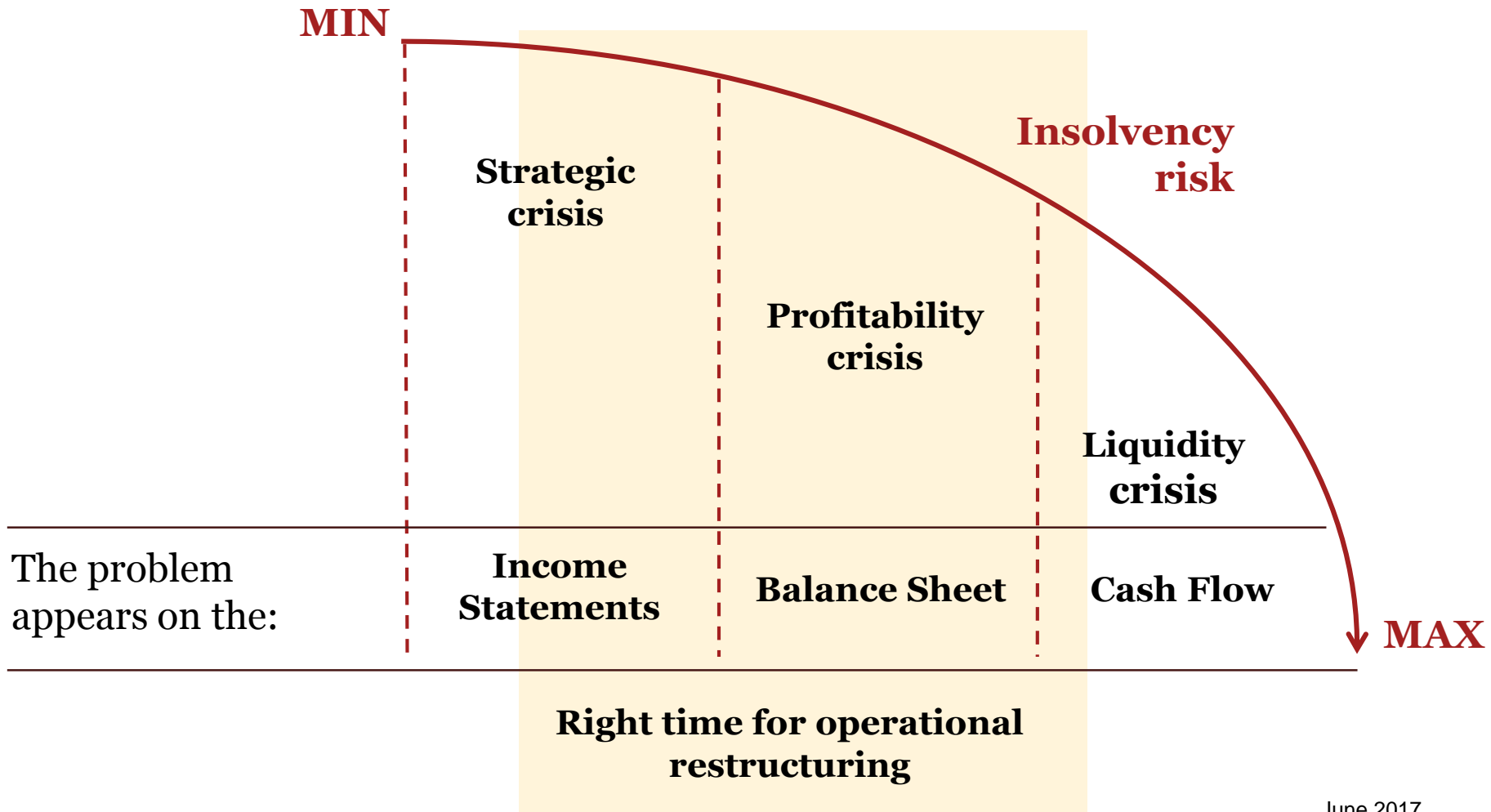
**Operational restructuring** – key areas and prerequisites for successful restructuring



**Case study** – operational restructuring of **Tatra**

# When is the right time to start with operational restructuring?

## Corporate crisis curve



***Operational restructuring is often a synonym for cost cutting, but it is only one aspect that can sometimes be even damaging in long run***

### **Typical profile and reasons for crisis**

- **Owners** in the role of **management**
- **Bad investments**
- **Missing strategy**
- **Bad product mix**
- **Complex corporate structures**
- **Poor data, controlling and planning**
- **Inefficient processes and systems**
- **Low productivity**



**Usual reaction: COST CUTTING**



**Optimal reaction: COMPLEX CHANGE**

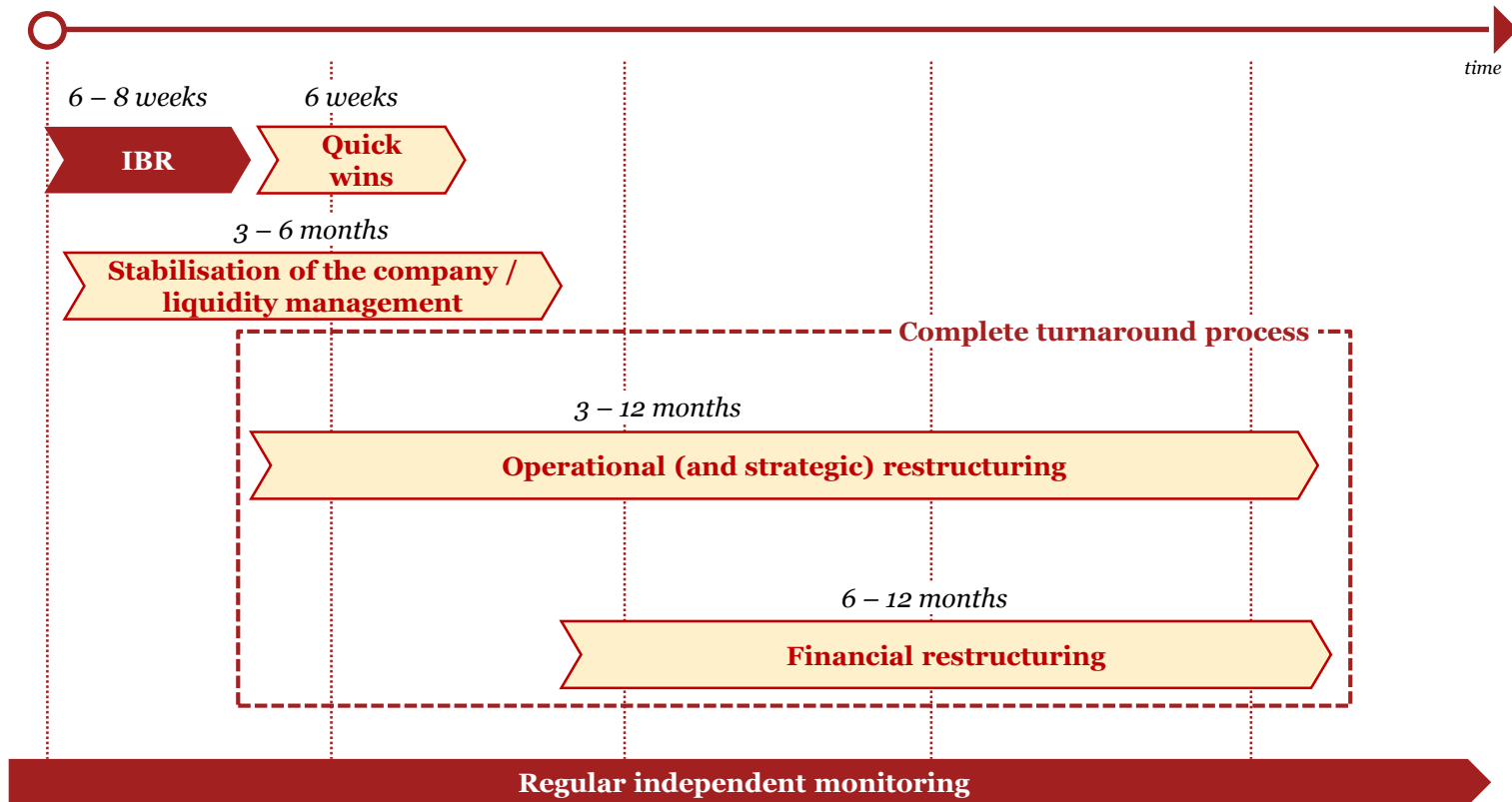
# ***Operational restructuring is a complex change where all business & financial aspects need to be taken into account...***

Operational restructuring – key areas



# *...and usually takes from three to twelve months*

## Restructuring process



***Mix of key success factors is a prerequisite for a successful business turn-around – the management is crucial***

**KEY DRIVERS**

**Clear strategy of whole restructuring**

**Detailed operational restructuring plan with goals and responsibilities**

**Strong management – CRO – with clear mandate**

**KEY  
SUCCESS  
FACTORS**

**Sense of urgency – buy in from all employees**

**Regular monitoring of implementation**

**Timely re-alignment of plan**

# *Operational restructuring of Tatra*



TATRA IS THE SOLUTION



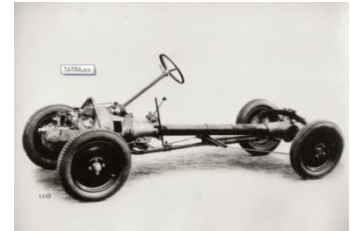
tatra.cz



# ***TATRA is the oldest vehicle factory in Central Europe and the second oldest in the world***

## **TATRA - historical facts & highlights**

- 1850 - Ignác Šustala begins the production of carriages and coaches
- 1923 - Hans Ledwinka introduced “**TATRA vehicle concept**”  
(central load-carrying tube and directly installed air-cooled engine and transmission with independently mounted swinging half-axes)
- Visionary concepts
  - Aerodynamic chassis – Tatra 600 (TATRAPLAN) - 1948
  - Boxer engine – Tatra 600 (TATRAPLAN) - 1948
  - Aluminium chassis – Tatra 601 Monte Carlo 1948
- Legendary trucks:
  - Tatra 111 (1946 – 1962)
  - Tatra 148 (100 000 pcs in CEE)
- Production capacity 15 000 trucks p.a.
- Exported to 53 countries of 5 continents



*Tatra T600*



*Tatra T111*



*Tatra T148*



# ***TATRA was hit hard by 2008 Economic crisis especially due to late deliveries in below par quality***

## **Situation in 2008**

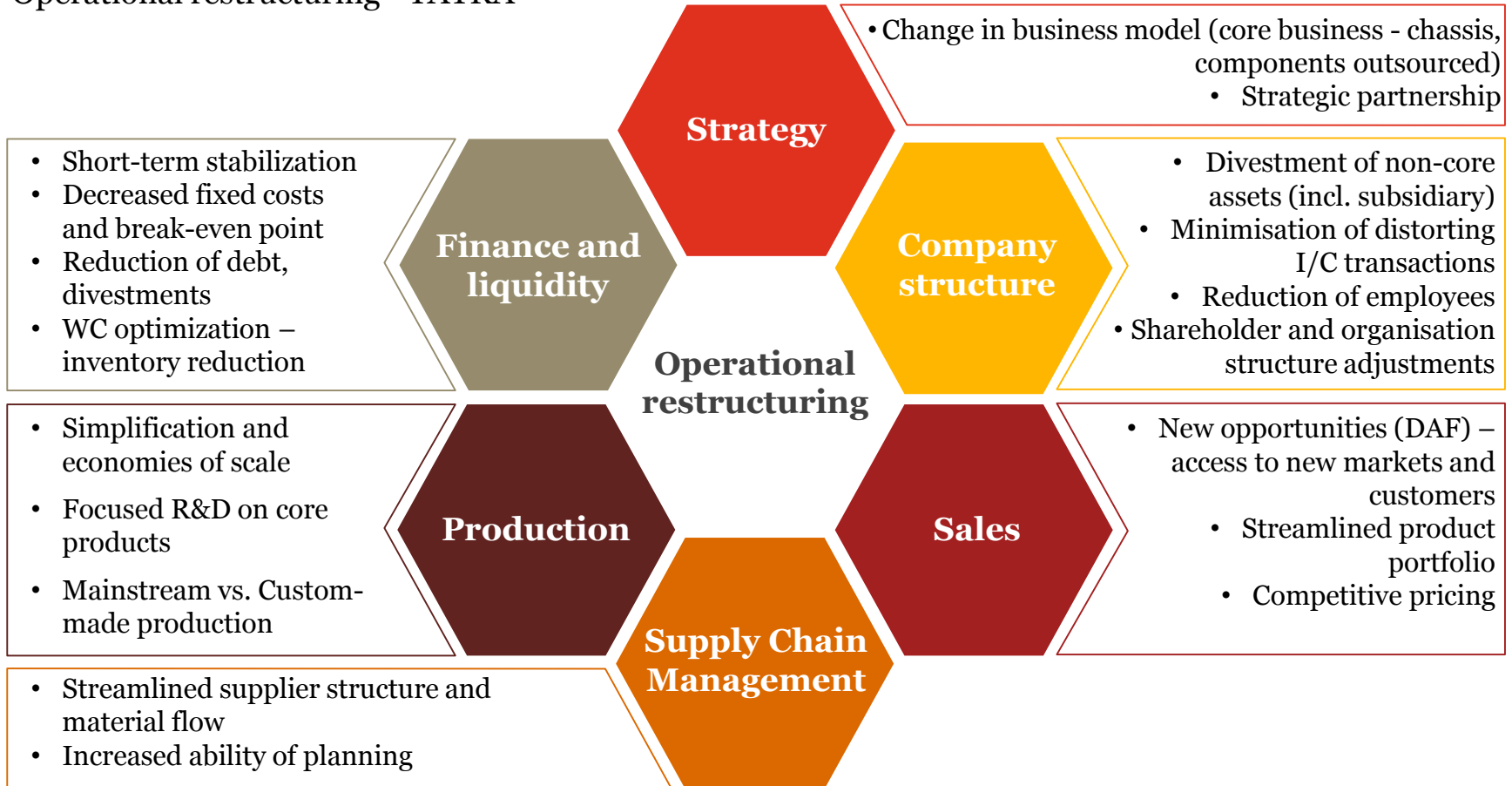
- Full order book until June 2008
- Due to order cancellations 390 trucks on stock
- Reasons for crisis – high fixed costs, low adaptability to market changes, obsolete structure, quality issues of engines
- Ongoing TATRA production led to:
  - Disproportionate level of inventory – ca EUR 56m in material and WIP and EUR 22m in trucks
  - High ARs of EUR 40m
  - Excessive number of employees – 3 800 by end of 2008
  - Negative operating cash flow of EUR -20m
  - No available cash, excessive level of bank debt of EUR 55m

***URGENT NEED  
OF  
STABILIZATION***

<b>Year</b>	<b>Trucks [pcs]</b>	<b>Revenue [EUR m]</b>	<b>EBITDA [EUR m]</b>	<b>Inventory [EUR m]</b>
2007	2 453	300	25	54
2008	1 962	370	8	88
<b>2009</b>	<b>992</b>	<b>140</b>	<b>-15</b>	<b>45</b>

# ***Comprehensive approach addressing all critical areas was defined and implemented in order to resolve TATRA 's crisis***

## Operational restructuring - TATRA



## *Results of restructuring*

- Short- and long-term stabilization, maintained continuity of business & employment
- Contract with DAF – strategic partnership
- Clear strategy and business model
- Simplification of multiple areas and ability to clearly focus on core business / strengths
- Transparent and flexible structure
- Creditors recovered 100% in several months



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# *Thank you for your attention*



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