

Oerlikon continues its strong performance in Q3 2014

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Q3 2014 Business Update

October 28, 2014



1 Q3 2014 Business Update

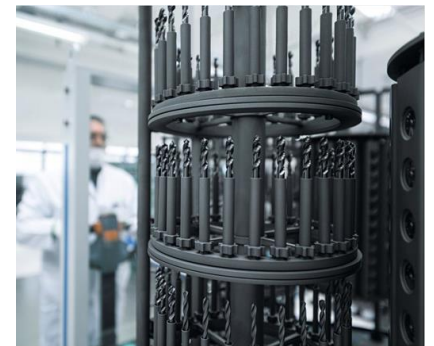
2 Q3 2014 Financial Review

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Oerlikon Q3 2014 performance

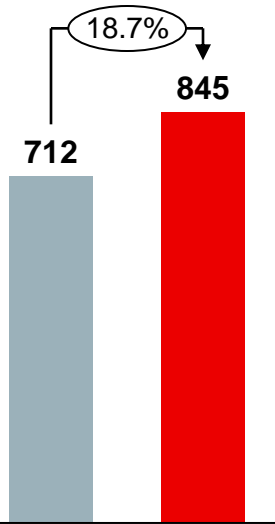
- Strong performance and solid profitability
- Metco integration on track
- FY 2014 guidance confirmed with upside potential for profitability



Oerlikon delivers strong sales growth and order intake in Q3 2014

Order intake

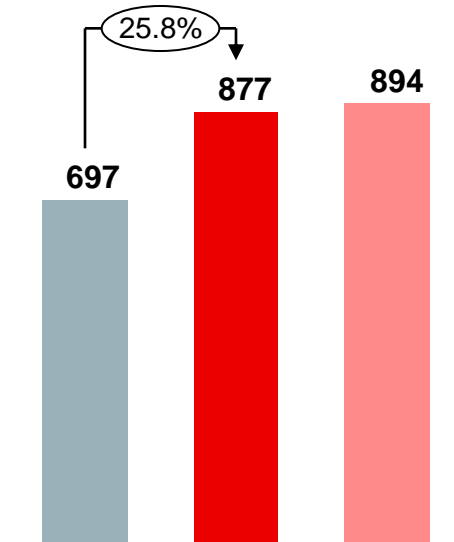
in CHF million



Q3 2013 Q3 2014

Sales

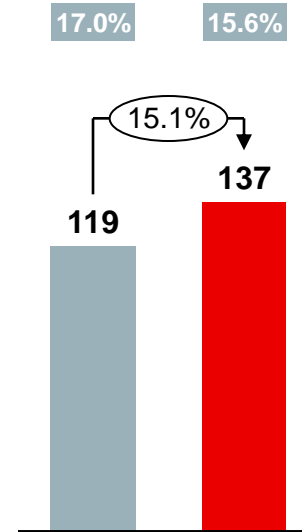
in CHF million



Q3 2013 Q3 2014 Q3 2014 at stable FX

EBITDA (margin)

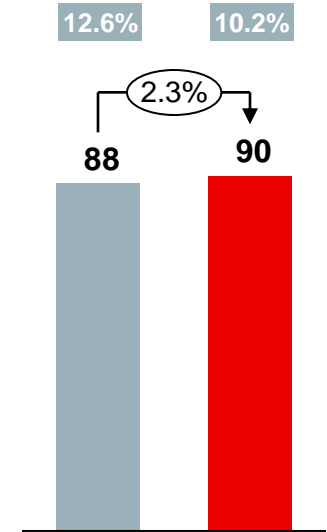
in CHF million;
in % of sales



Q3 2013 Q3 2014

EBIT (margin)

in CHF million;
in % of sales



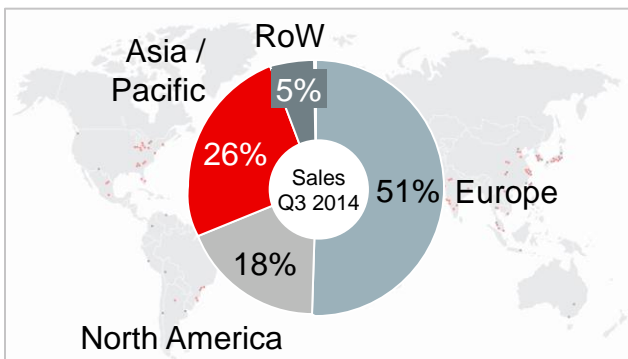
Q3 2013 Q3 2014

- Strong sales growth of 25.8 % and order intake up 18.7 % in Q3 2014
- At stable exchange rates sales increased by 28.3%
- EBITDA margin of 15.6 % and double-digit EBIT margin (10.2 %) for the 11th consecutive quarter – absorbing acquisition accounting effects and one-time integration costs related to Metco transaction

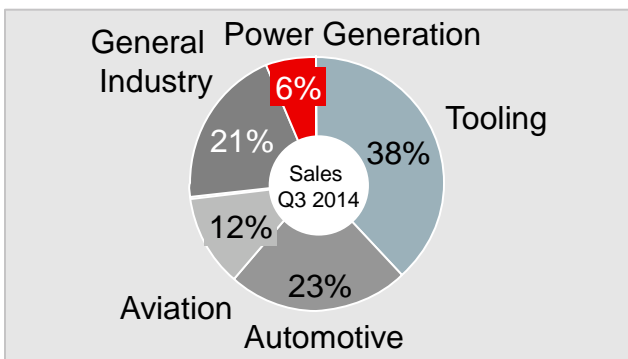
Surface Solutions Segment – Q3 2014 performance



	in CHF million	Q3 2014	Q3 2013 ²	Δ
Key figures				
Order intake		317	123	>100 %
Sales (to 3 rd parties)		312	123	>100 %
EBITDA		46	36	27.8 %
EBITDA margin ¹		14.6 %	28.9 %	-14.3 pp
EBIT		18	25	-28.0 %
EBIT margin ¹		5.7 %	20.4 %	-14.7 pp



- Market development**
- Continued growth in services
 - Automotive and tooling industry in Europe, Asia and the United States as driver
 - Solid demand in aviation (some softening in MRO) and growth in the power generation as well as oil & gas industries



- Operational performance**
- Metco integration well on track
 - Underlying sales growth and continued high underlying profitability
 - Segment profitability impacted by acquisition accounting effects and one-time transaction/integration costs

¹ as % of sales; ² excl. Oerlikon Metco (transaction closed on June 2, 2014)

Surface Solutions Segment – Integration update

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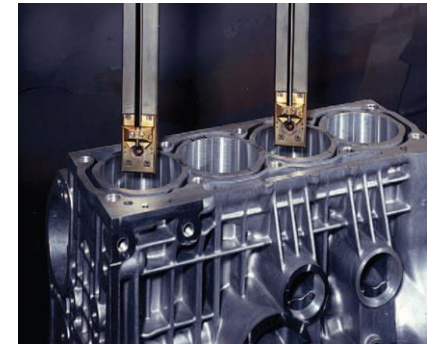
Integration well on track:

- Closing of transaction on June 2, 2014
- Management team fully in place
- All 11 major integration work streams, involving over 390 key employees, are progressing on or ahead of schedule
- At 50 Oerlikon Metco sites rebranding has been completed
- Reporting systems ready and operational (i.e. Finance, Legal, IT, HSE and HR)
- Cost and revenue synergies identified in details and are being integrated in normal business planning cycle
- Synergy estimates in excess of initial investment analysis – confirming the underlying rationale of the transaction
- Key customers have requested shared technology days to jointly evaluate and validate opportunities

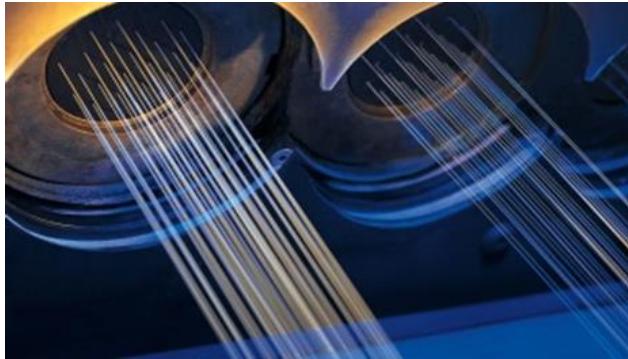


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Manmade Fibers Segment – Q3 2014 performance



Key figures

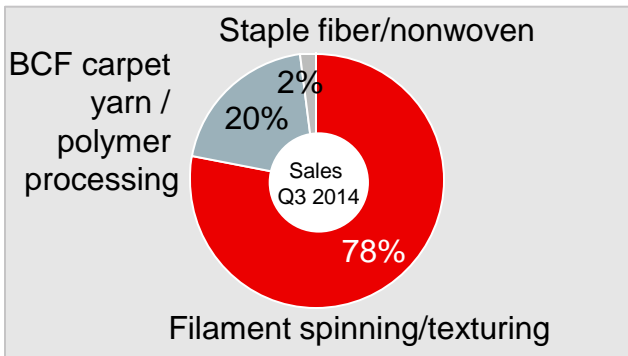
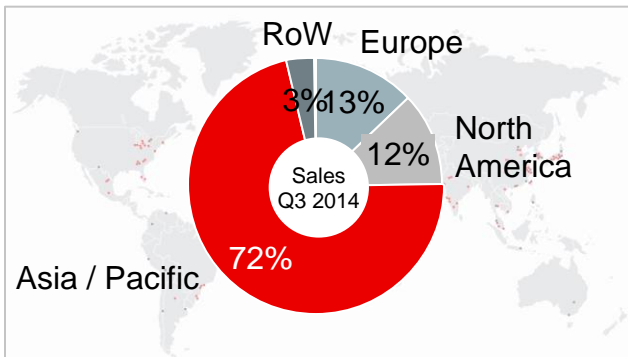
in CHF million	Q3 2014	Q3 2013	Δ
Order intake	221	272	-18.8 %
Sales (to 3 rd parties)	246	282	-12.8 %
EBITDA	52	51	+2.0 %
EBITDA margin ¹	21.3 %	18.3 %	+3.0 pp
EBIT	48	46	+4.3 %
EBIT margin ¹	19.3 %	16.5 %	+2.8 pp

Market development

- Filament equipment with continued high level of deliveries in Q3 2014
- US BCF-market (carpet yarn) shows stable demand
- Project landscape Normalization in China
- Potential increasing market demand in India in 2015

Operational performance

- Order intake development reflects expected normalization in China
- Sales development impacted by project schedules – strong comparable last year
- Service/spare parts sales up by over 20%
- Strong profitability attributable to product mix and product cost measures



¹ as % of sales

Drive Systems Segment – Q3 2014 performance



Key figures

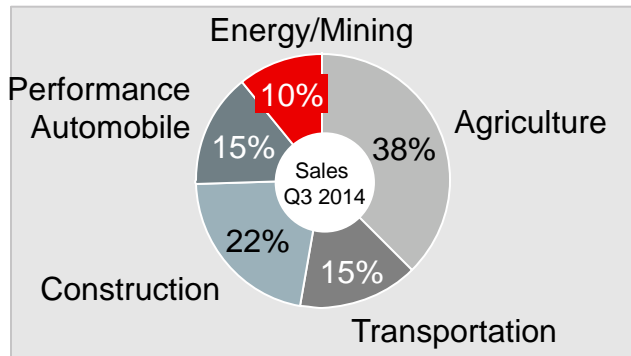
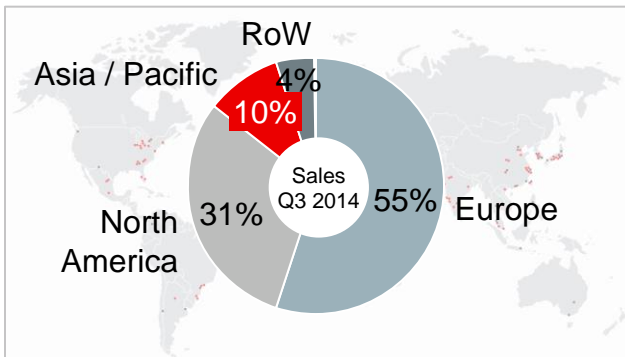
in CHF million	Q3 2014	Q3 2013	Δ
Order intake	190	186	+2.2 %
Sales (to 3 rd parties)	194	172	+12.8 %
EBITDA	20	15	+33.3 %
EBITDA margin ¹	10.3 %	8.7 %	+1.6 pp
EBIT	10	6	+66.7 %
EBIT margin ¹	5.1 %	3.4 %	+1.7 pp

Market development

- Construction machinery market continues to be strong in North America
- Lower trading in agriculture as expected
- Oil & gas market (primarily off-shore) strong and modest increase in gas fracking equipment demand
- Strong sales in high-performance auto

Operational performance

- Strong sales and slight order intake growth
- Focus on operational performance and cost resulted in margin improvements
- Strengthened leadership team in China



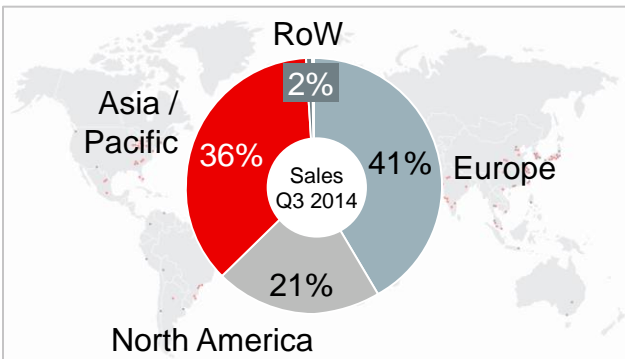
¹ as % of sales

Vacuum Segment – Q3 2014 performance



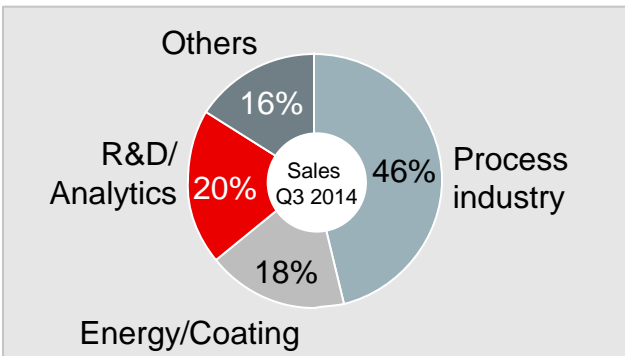
Key figures

in CHF million	Q3 2014	Q3 2013	Δ
Order intake	97	102	-4.9 %
Sales (to 3 rd parties)	99	98	+1.0 %
EBITDA	11	13	-15.4 %
EBITDA margin ¹	11.2 %	12.6 %	-1.4 pp
EBIT	8	9	-11.1 %
EBIT margin ¹	7.6 %	9.0 %	-1.4 pp



Market development

- Overall challenging market environment resulting in slightly lower order intake
- Positive trends in process industry in Europe (large-scale projects) and Asia
- Large-scale order in steel degassing
- R&D/analytics market sequentially up

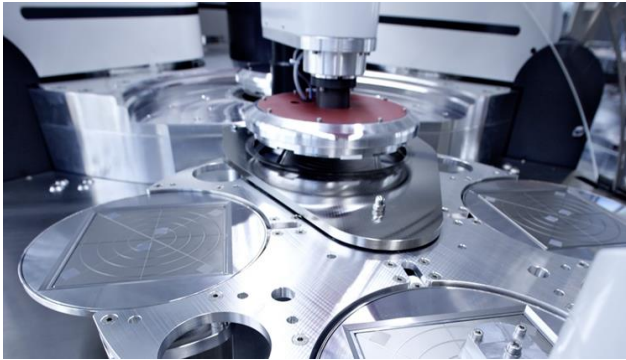


Operational performance

- Sales on previous years' level
- Order intake slightly improved sequentially
- Profitability stabilized around prior quarters' level with potential from investments in internal alignment and organizational effectiveness

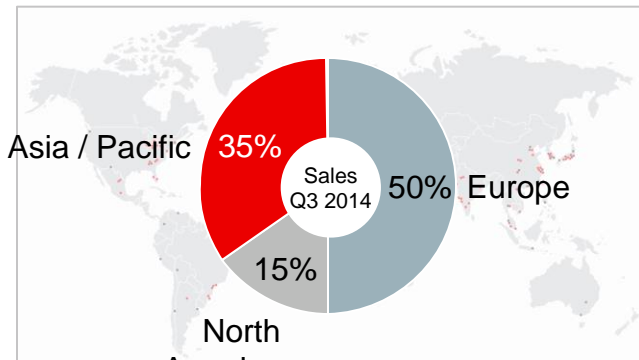
¹ as % of sales

Advanced Technologies Segment – Q3 2014 performance



Key figures

in CHF million	Q3 2014	Q3 2013	Δ
Order intake	20	29	-31.0 %
Sales (to 3 rd parties)	26	22	+18.2 %
EBITDA	1	0	n/a
EBITDA margin ¹	5.0 %	2.1 %	+2.9 pp
EBIT	0	-1	n/a
EBIT margin ¹	1.6 %	n/a	n/a

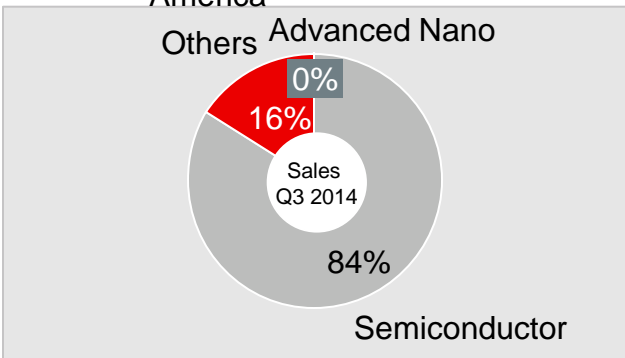


Market development

- Connectivity and Internet of Things are main drivers in semiconductor industry
- Slower-than-expected recovery in advanced packaging - growth expected into 2015
- Postponement of advanced nano-technology equipment investments to 2015

Operational performance

- Order intake lower due to order push-outs
- Sales increase driven by semiconductor
- Profitability at break-even - affected by continued high R&D investments



¹ as % of sales

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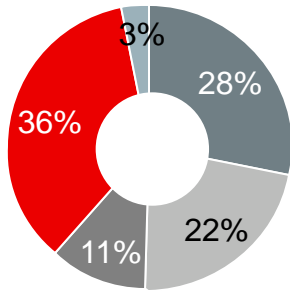
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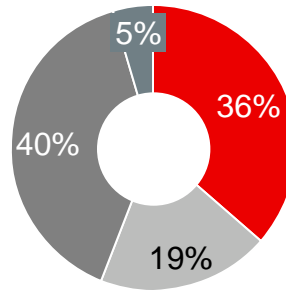
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Sales split Q3 2014 – Further balanced Oerlikon portfolio

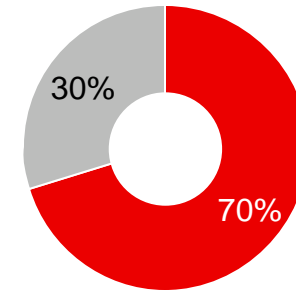
Segment split



Regional split



Service business



- Manmade Fibers
- Drive Systems
- Vacuum
- Surface Solutions
- Adv. Technologies

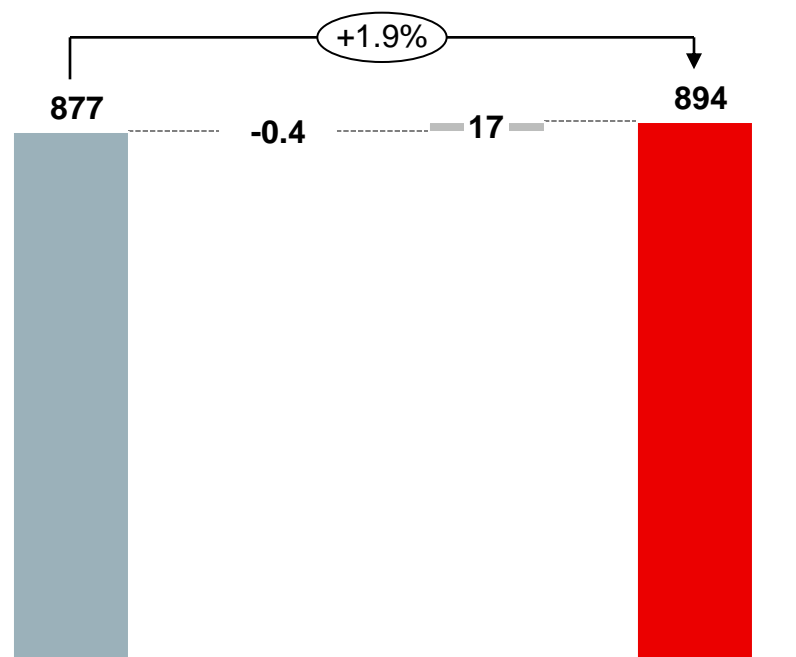
- Asia / Pacific
- North America
- Europe
- Rest of World

- Goods, Equipment & Components
- Service & Spare Parts

FX impact on Sales, EBIT and EBIT margin

Oerlikon Group Sales Q3 2014

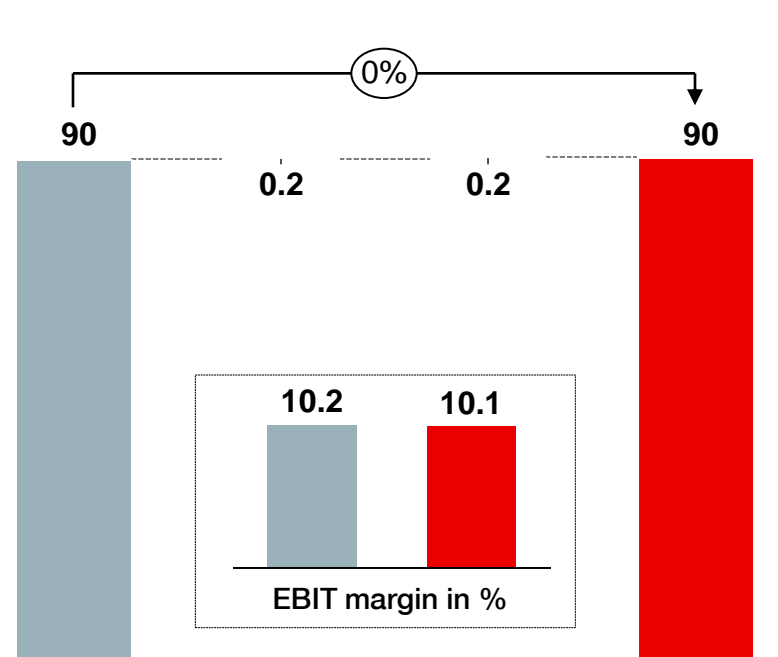
in CHF million



Q3 2014 Transaction effects Translation effects Q3 2014 FX impact adj.

Oerlikon Group EBIT Q3 2014

in CHF million



Q3 2014 Transaction effects Translation effects Q3 2014 FX impact adj.

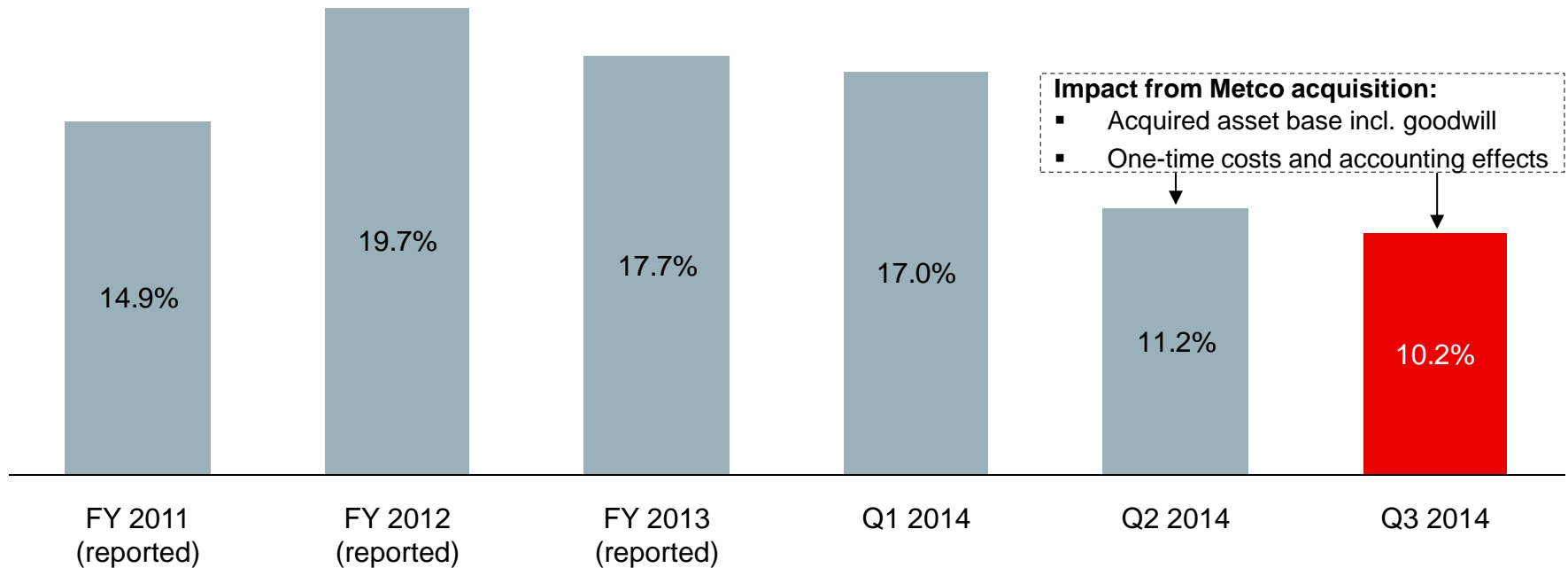
- Devaluation of currencies (INR, USD, CNY)
- EUR with minor deviation against CHF
- 1.9 % currency impact on sales

- Impact on EBIT margin negligible

Return On Capital Employed (ROCE)

Development of ROCE

in %



- Full consolidation of Metco in Q3 2014 impacted 12-months rolling Group ROCE
- NOPAT impacted by acquisition accounting effects and one-time transaction/integration costs

Surface Solutions Segment – Financial impact

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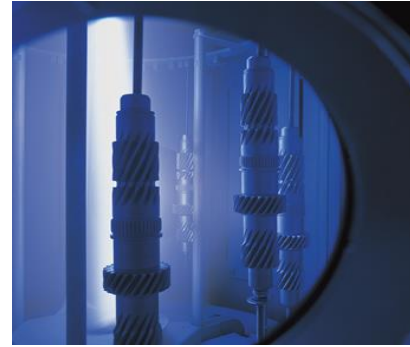
Financial impact on Surface Solutions Segment Q3 accounts:

- Transaction/integration costs of ~CHF 6 million
- Inventory step up of ~CHF 13 million
- Amortization of acquired identifiable intangible assets of ~CHF 8 million

Back-up:

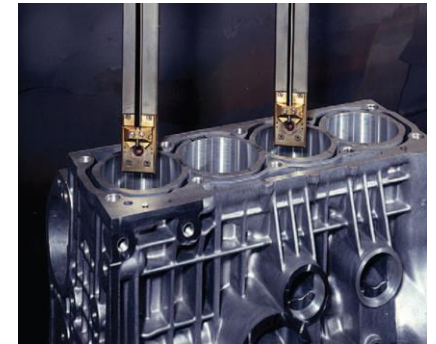
Financial impact on Surface Solutions Segment Q2 accounts:

- Transaction costs of ~CHF 13 million
- Inventory step up of ~CHF 10 million
- Amortization of acquired identifiable intangible assets of ~CHF 3 million

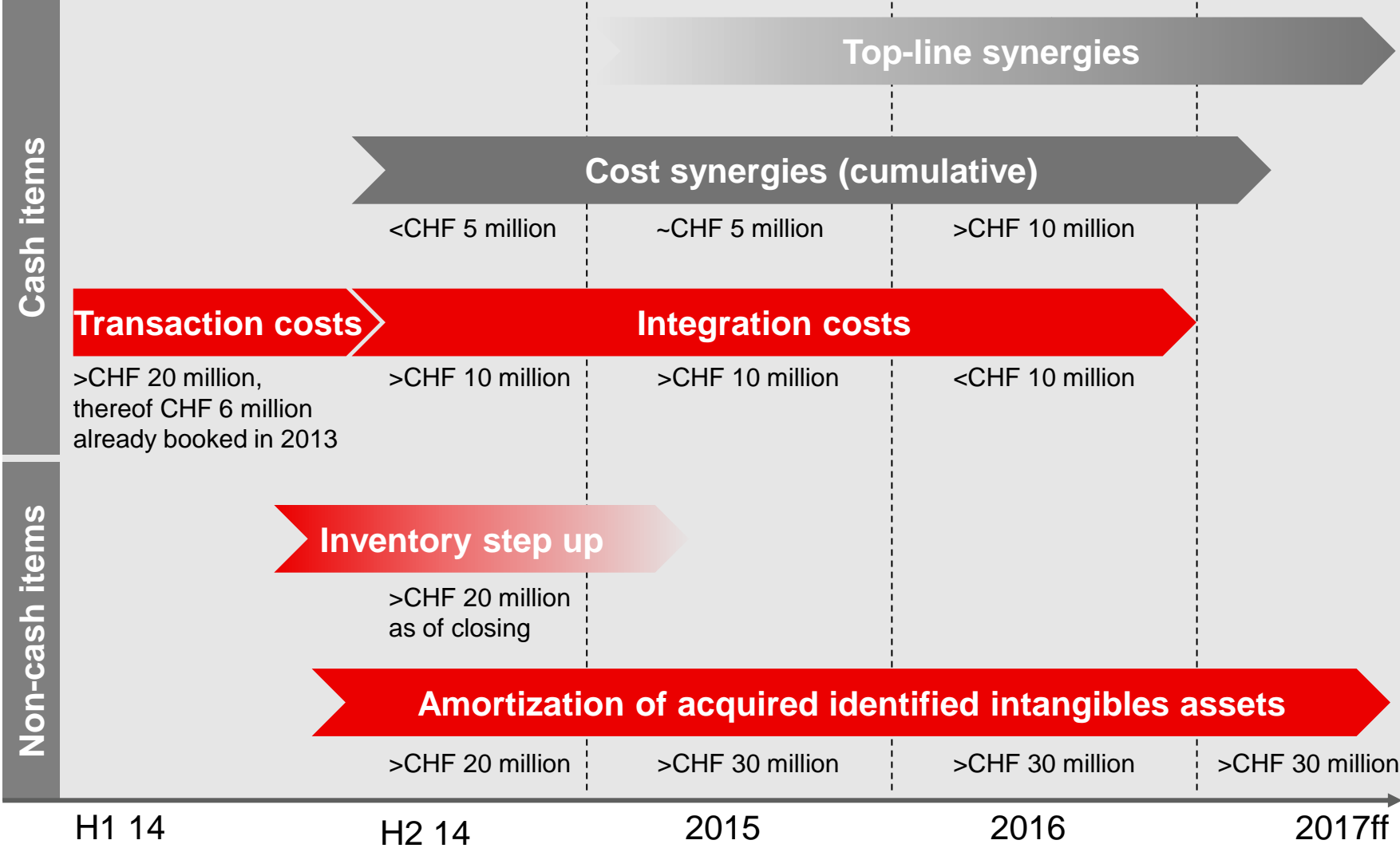


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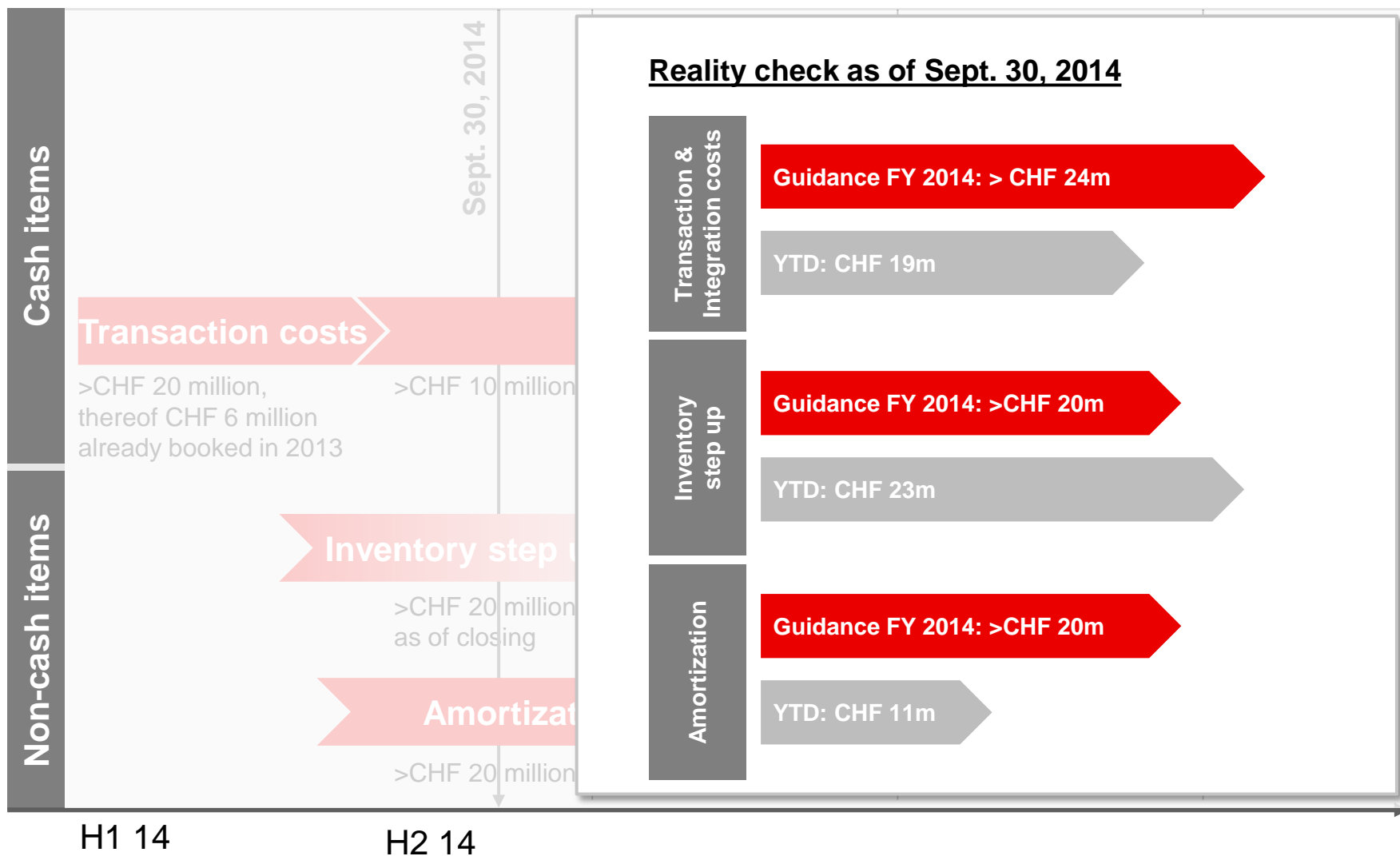
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Financial impact of Metco transaction



Financial impact of Metco transaction – Reality check



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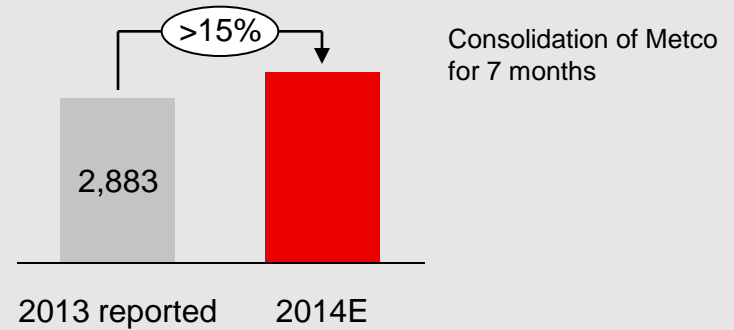
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2014 Outlook confirmed – Upside on profitability



Sales

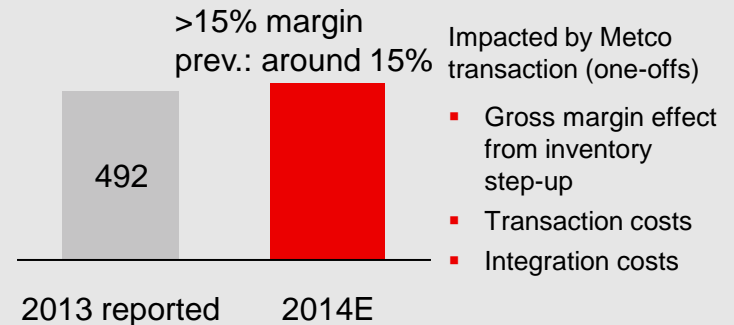


2014 Group Guidance

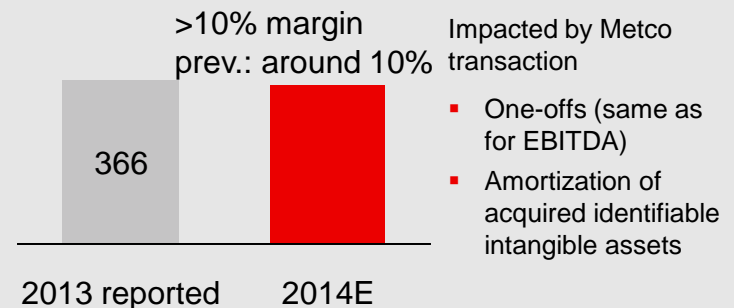
Consolidating Metco for seven months and with full absorption of Metco impacts, Oerlikon expects, compared to 2013 reported figures based on stable exchange rates:

- Order intake growth to exceed 10 %
- Sales growth to exceed 15 %
- EBITDA¹ margin to exceed 15 %
- EBIT¹ margin to exceed 10 %

EBITDA



EBIT



¹ including full absorption of all related transaction/integration costs and acquisition accounting effects

Continued value creation path:

- Order intake growth of 18.7 % year-on-year
- Sales growth of 25.8 % year-on-year (28.3 % at stable FX)
- Solid profitability with EBITDA margin at 15.6 % and 11th consecutive quarter with double-digit EBIT margin (10.2 %)
- Metco integration on track
- FY 2014 outlook confirmed with upside potential for profitability



Thank you.



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Key figures Oerlikon Group



in CHF million	H1 2014 ¹	H1 2013	Δ
Order intake	1 442	1 476	-2.3 %
Order backlog	799	888	-10.0 %
Sales	1 527	1 443	+5.8 %
EBITDA % of sales	250 16.4 %	239 16.5 %	+4.6 %
EBIT % of sales	178 11.7 %	174 12.1 %	+2.3 %
Result from continuing operations % of sales	123 8.1 %	109 7.6 %	+12.8 %
Net income	122	146 ²	-16.4 %
EPS	0.36	0.33	+9.1 %
Cash flow from operating activities	85	168	-49.4 %
Net operating assets (incl. goodwill and brands)	2 772	1 586	+74.8 %

¹ Metco consolidated for one month; ² Including CHF 37 million from discontinued operations

H1 2014 key figures by Segment

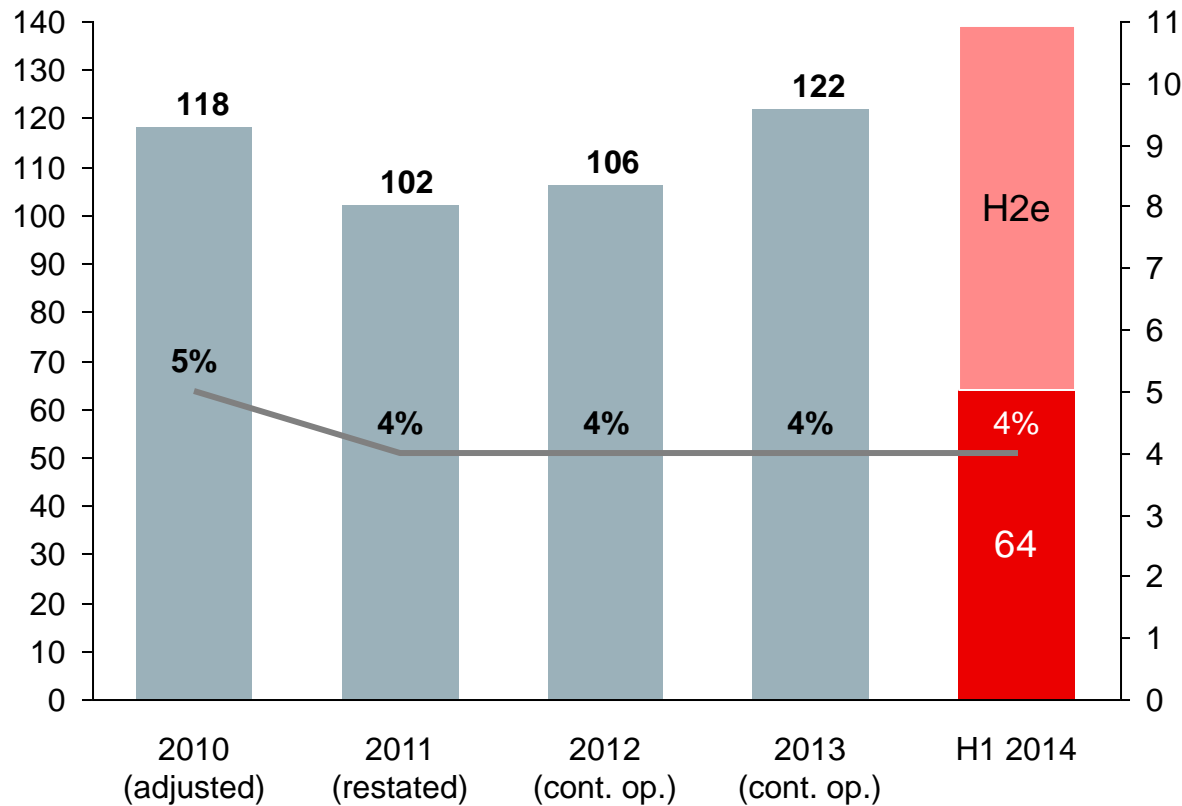
in CHF million	Manmade Fibers	Drive Systems	Vacuum	Surface Solutions ²	Adv. Tech.
Order intake Δ to H1 2013	468 -13.3 %	414 +1.5 %	193 -6.3 %	327 +30.3 %	40 -43.7 %
Order backlog Δ to H1 2013	416 -30.6 %	191 +25.7 %	79 -7.1 %	86 n/a	27 -48.1 %
Sales (to third parties) Δ to H1 2013	570 +1.2 %	402 +3.3 %	192 -2.0 %	328 +30.7 %	35 -20.5 %
EBITDA Δ to H1 2013	123 +25.5 %	42 +23.5 %	19 -34.5 %	62 -15.1 %	-6 >-100 %
EBITDA margin ¹ Δ to H1 2013	21.5 % +4.1 %pts	10.5 % +1.9 %pts	9.7 % -5.2 %pts	18.8 % -10.3 %pts	n/a
EBIT Δ to H1 2013	113 +27.0 %	20 +81.8 %	12 -47.8 %	33 -35.3 %	-8 >-100 %
EBIT margin ¹ Δ to H1 2013	19.9 % +4.2 %pts	4.9 % +2.1 %pts	6.2 % -5.3 %pts	10.1 % -9.9 %pts	n/a
Operating assets Δ to H1 2013	650 -3.8 %	1 153 +3.4 %	289 +7.4 %	1 690 >100 %	119 -4.0 %
No. of employees Δ to H1 2013	2 519 +1.6 %	5 319 +3.1 %	1 578 +4.4 %	5 944 +81.3 %	196 -2.0 %

¹ as % of sales; ² Metco consolidated for one month in H1 2014

Constant level of investments in R&D

Investments in R&D (expenditure) at around 4 % of sales

in CHF million / as % of sales

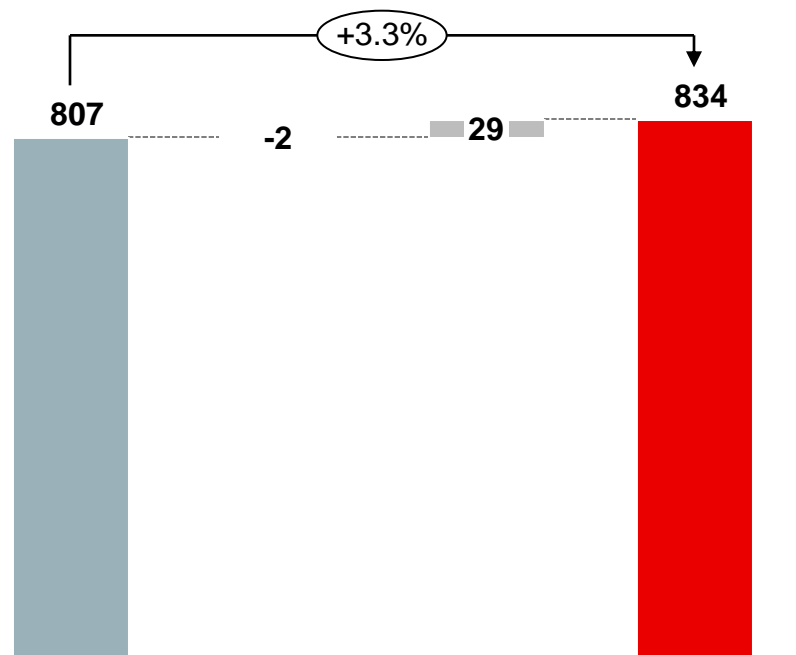


- R&D essential to secure technological leadership
- Constant investments of around 4 % of sales
- R&D expenditures expected to increase in H2 2014 (H2e)

FX impact on Sales, EBIT and EBIT margin

Oerlikon Group Sales Q2 2014

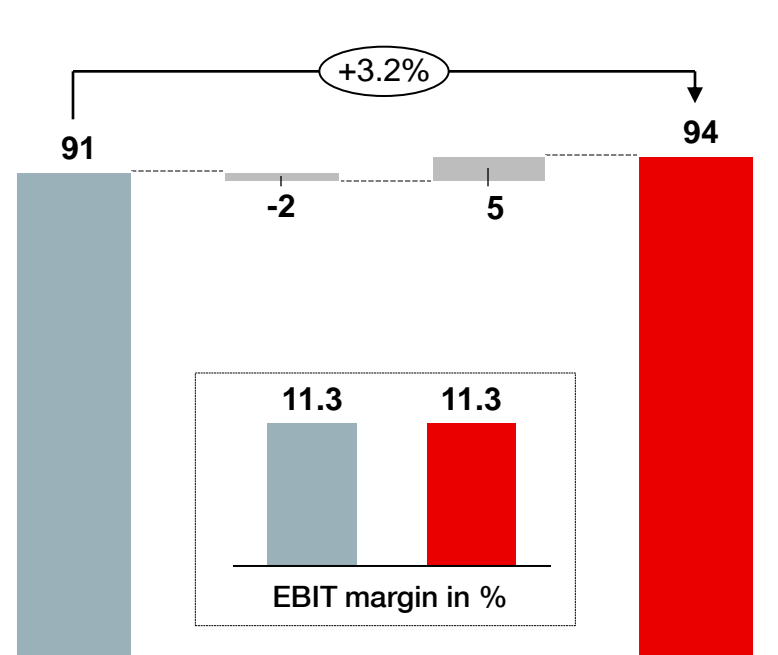
in CHF million



Q2 2014 Transaction effects Translation effects Q2 2014 FX impact adj.

Oerlikon Group EBIT Q2 2014

in CHF million



Q2 2014 Transaction effects Translation effects Q2 2014 FX impact adj.

- Devaluation of currencies (INR, USD, CNY)
- EUR close to prior year level
- 3.3 % currency impact on sales

- Impact on EBIT margin negligible

Result from continuing operations increased by 12.8 %

in CHF million	H1 2014 ¹	H1 2013	Δ
Result before interest and taxes (EBIT) in % of sales	178 11.7 %	174 12.1 %	+2.3 %
Financial result	-12	-15	+20 %
Result before taxes (EBT) in % of sales	166 10.9 %	159 11.0 %	+4.4 %
Income taxes in % of EBT	-43 25.9 %	-50 31.4 %	+14.0 %
Result from continuing operations in % of sales	123 8.1 %	109 7.6 %	+12.8 %
Result from discontinued operations	-1	37	-102.7 %
Net income (reported)	122	146 ²	-16.4 %

¹ Metco consolidated for one month; ² Including CHF 37 million from discontinued operations

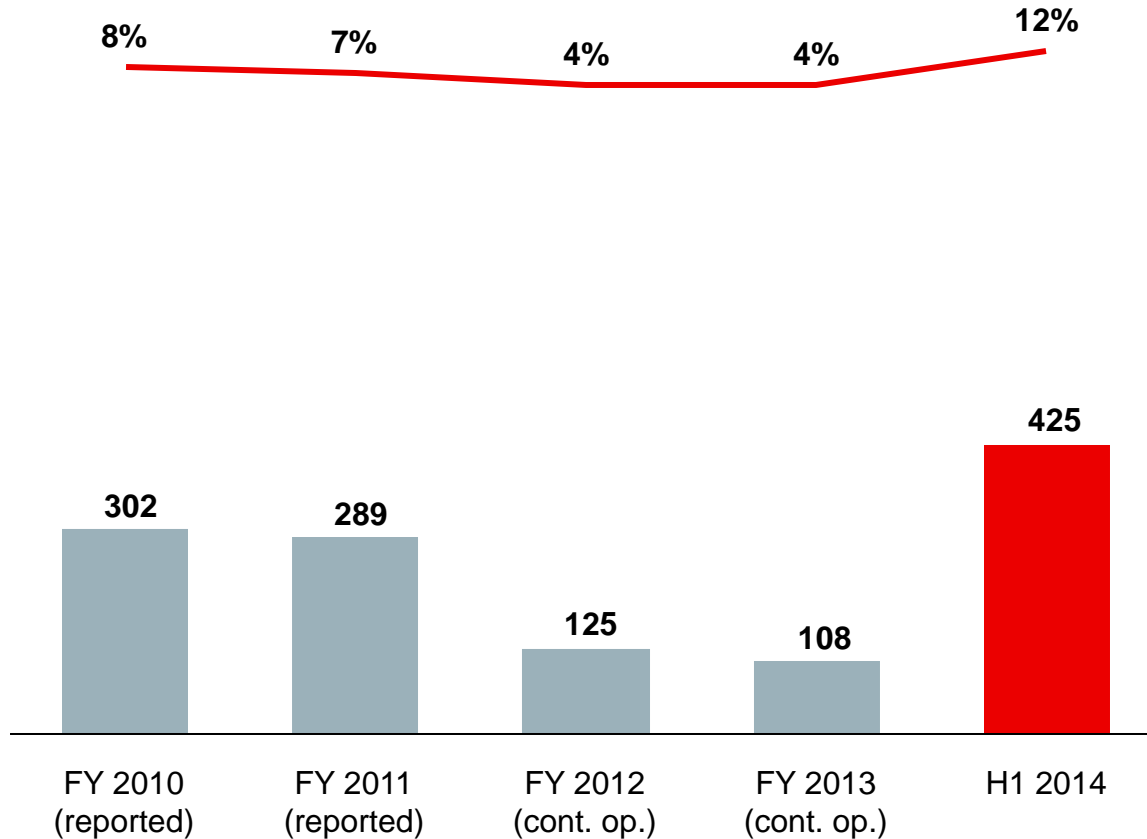
Strong balance sheet

in CHF million	H1 2014	FY 2013
Cash and cash equivalents	803	1 280
Trade receivables	536	425
Inventories	595	404
Property, plant and equipment	882	742
Goodwill and intangible assets	1 745	943
Total other assets	395	300
Total assets	4 956	4 094
Trade payables	370	314
Current customer advances	336	407
Current and non-current loans and borrowings	804	303
Non-current post-employment benefit provisions	569	546
Total other liabilities	735	440
Total liabilities	2 814	2 010
Total equity	2 142	2 084
Total equity ratio	43 %	51 %
Net cash	2	981

Net working capital expected to decrease in H2 2014

Net working capital¹ FY 2009 – H1 2014

in % of 12 months rolling sales (incl. Metco pro forma sales); in CHF million



- Higher asset base (Metco acquisition) and less customer advances led to increase in net working capital
- Customer advances at CHF 336 million (decrease mainly related to Manmade Fibers)
- Lower net working capital expected for H2 2014 due to active net working capital management

¹ Net working capital is defined as trade receivables + inventories – trade payables – current customer advances

CapEx allocation in 2014 to emphasize in H2 as planned – stabilize around targeted ratio

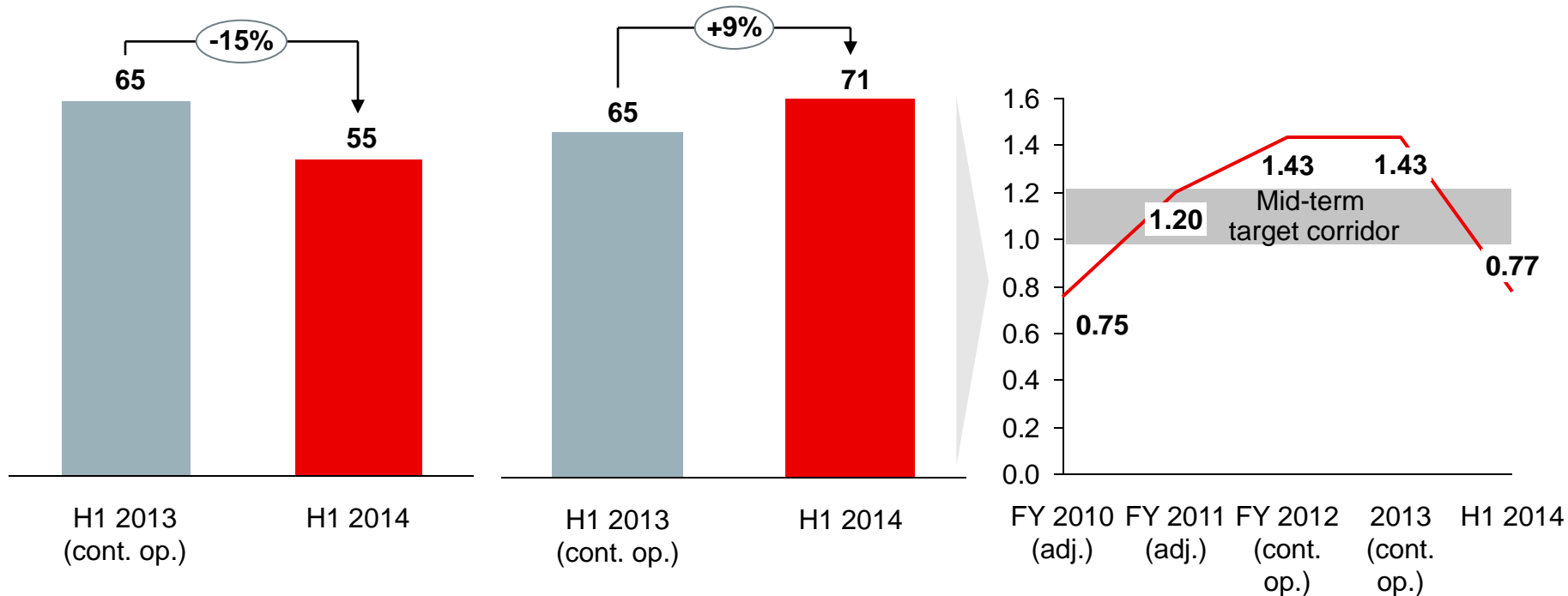
CapEx

in CHF million

Depreciation & amortization

in CHF million

CapEx / depreciation & amortization ratio¹

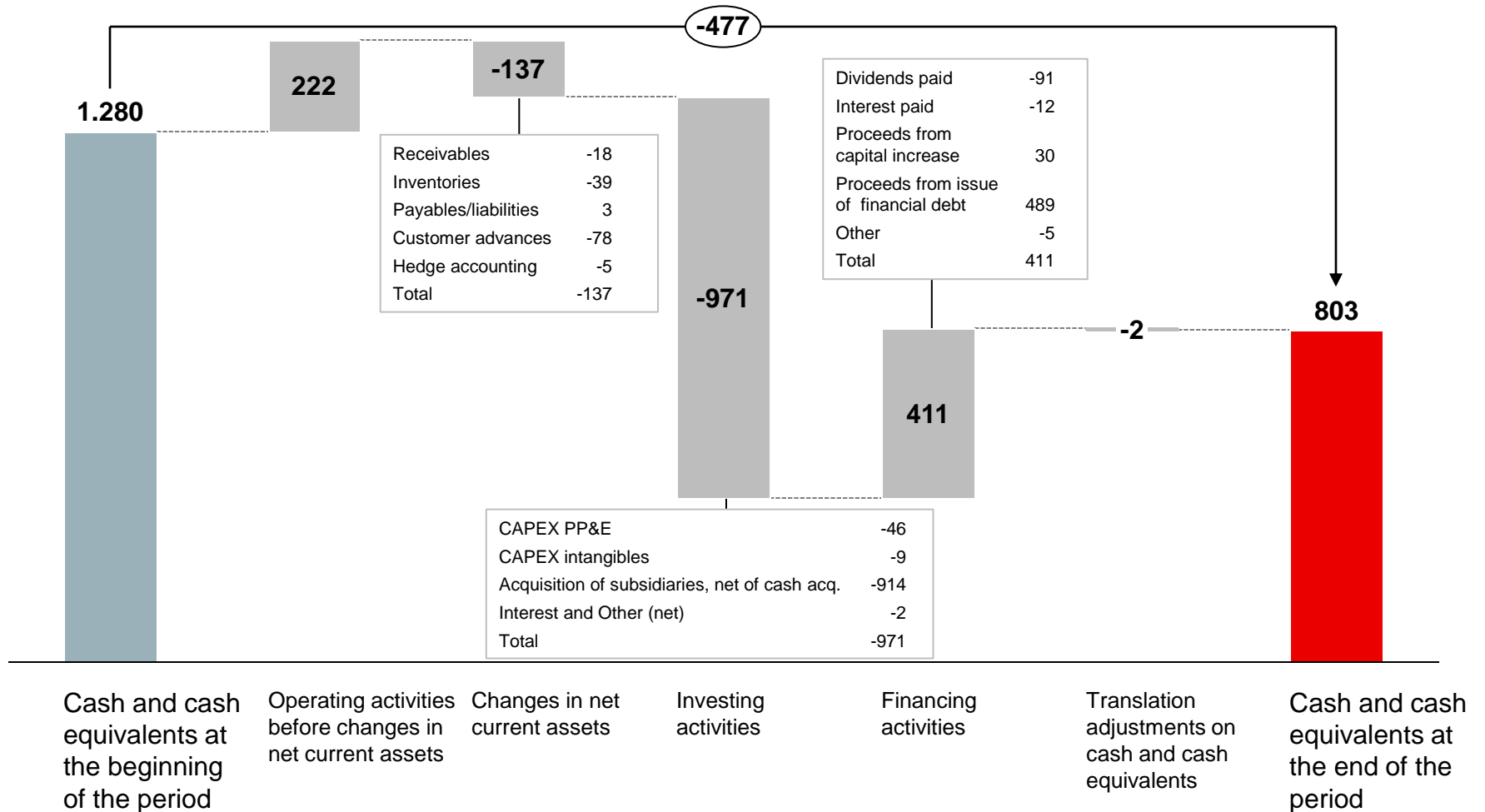


¹ Excluding impairment

Consolidated cash flow statement

Consolidated cash flow statement H1 2014

in CHF million

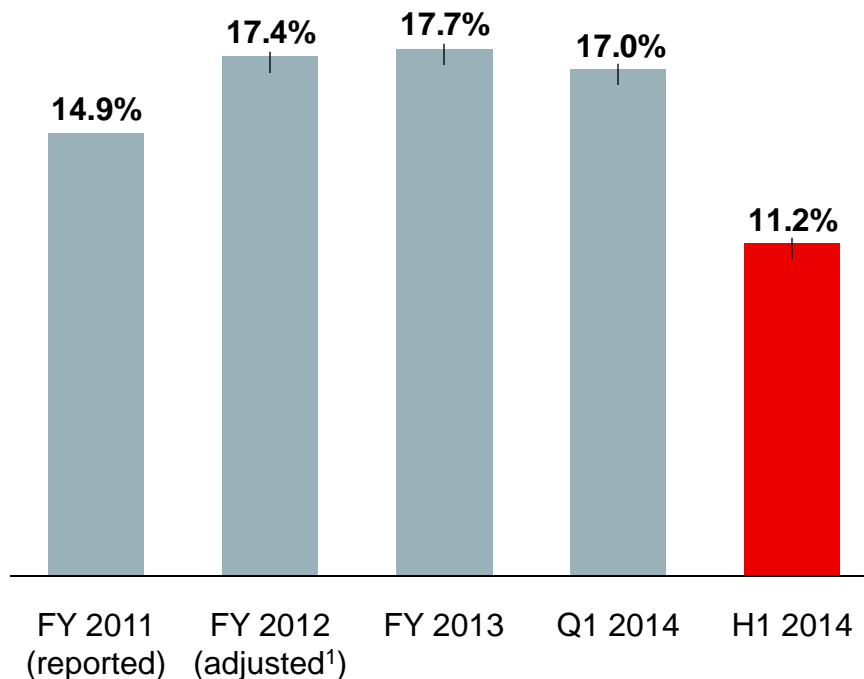


Return On Capital Employed (ROCE)

Oerlikon Definition of ROCE	H1 2014	FY 2013
EBIT	370	366
- Total current income tax	90	89
- Total deferred tax expense	-21	-14
NOPAT (12 months rolling)	301	291
Net Operating Assets	2 772	1 586
+ Current tax receivables	29	26
+ Deferred tax assets	157	124
- Current income tax payables	60	47
- Deferred tax liabilities	198	48
Capital Employed	2 700	1 641

Development of ROCE

in %



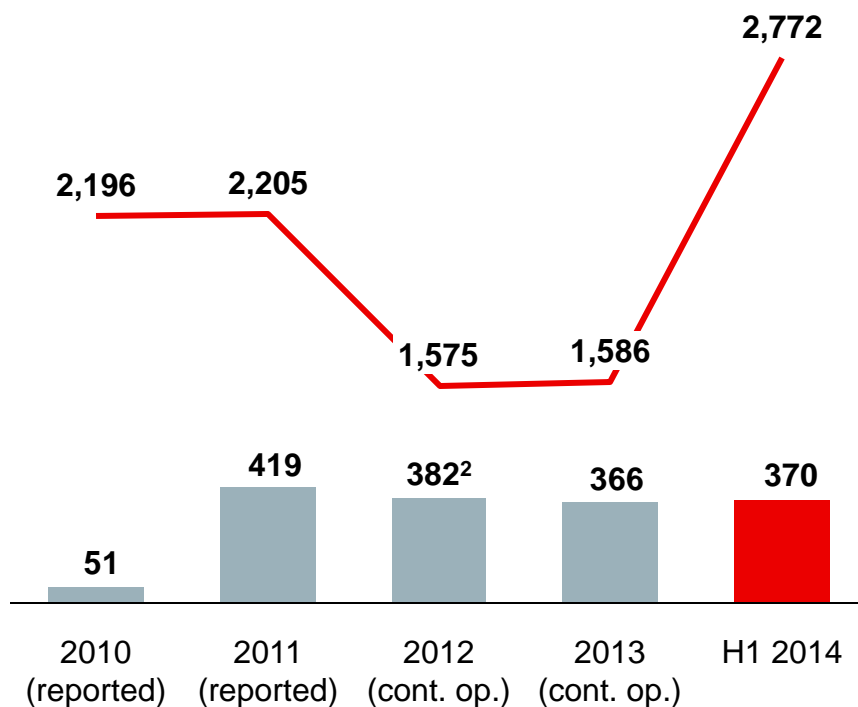
- First time consolidation of Metco leads to strong increase in net operating assets but contributing only one month to NOPAT
- Stable EBIT despite significant one-time costs related to Metco acquisition

¹ EBIT excl. one-time effect of sale of Arbon property of CHF 39 million

Return on Net Assets at continued high level

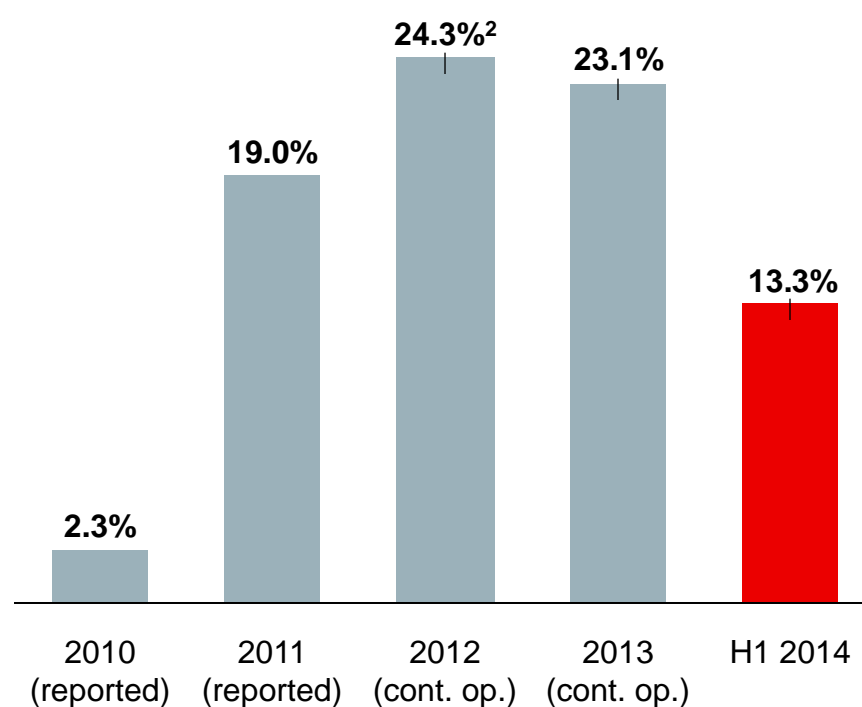
EBIT and Net Operating Assets¹

EBIT 12 months rolling; in CHF million



Return on Net Assets (RONA)¹

in %



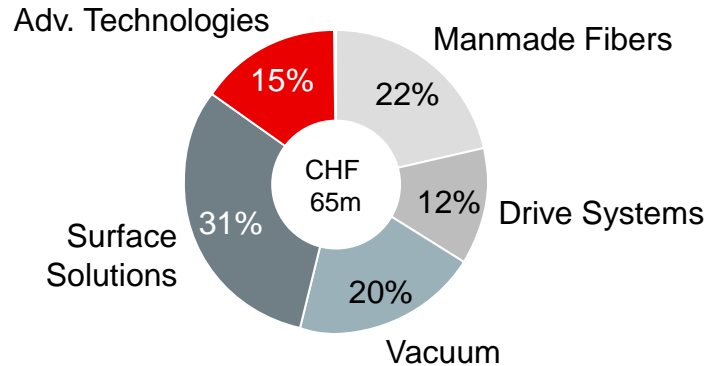
- Increased asset base (Metco acquisition); continued strong operational performance with only one month contribution of Metco
- Sustainable double digit RONA performance

¹ Net Operating Assets include goodwill and brands; RONA is defined as EBIT (12 months rolling) / Net Operating Assets including goodwill and brands

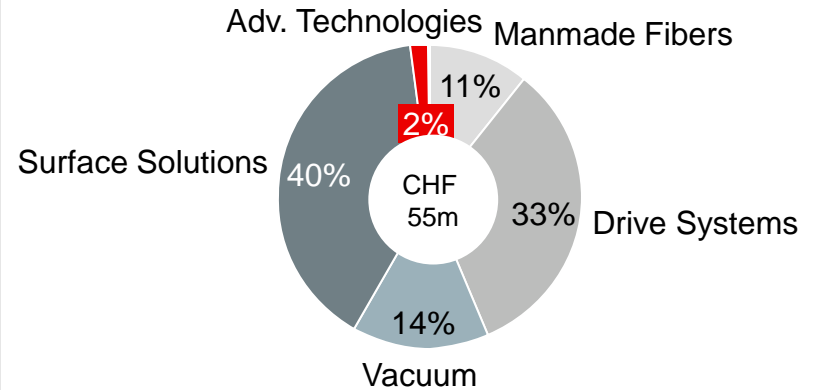
² EBIT excl. one-time effect of sale of Arbon property of CHF 39 million

R&D and Capex on Segment level

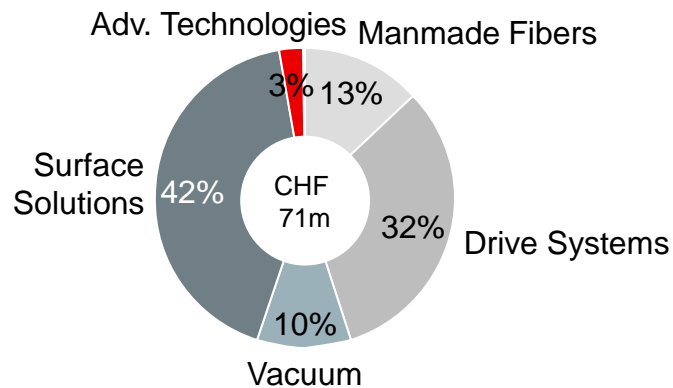
R&D expenses H1 2014



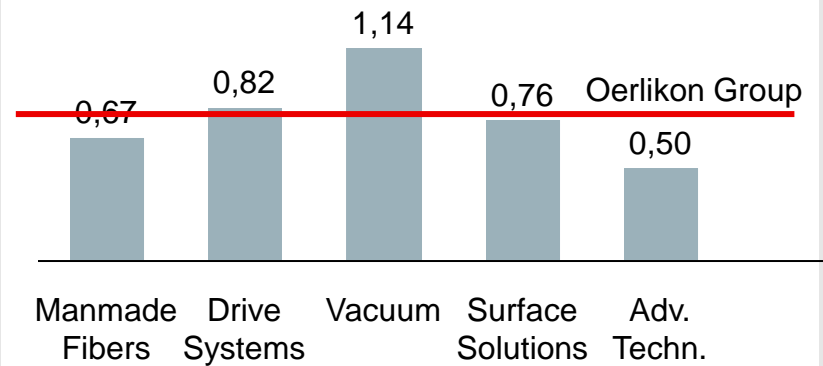
CapEx H1 2014



Depreciation & Amortization H1 2014

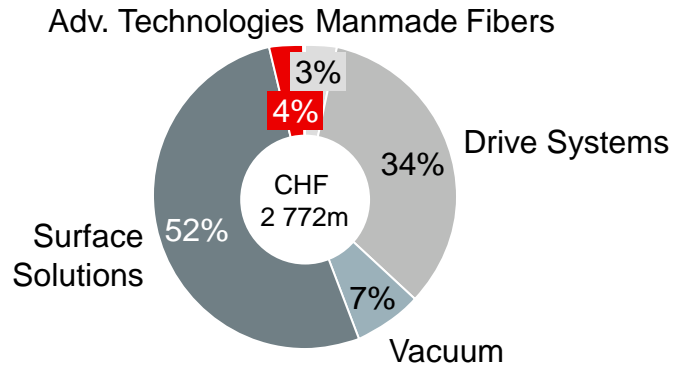


CapEx / Depreciation & Amortization H1 2014

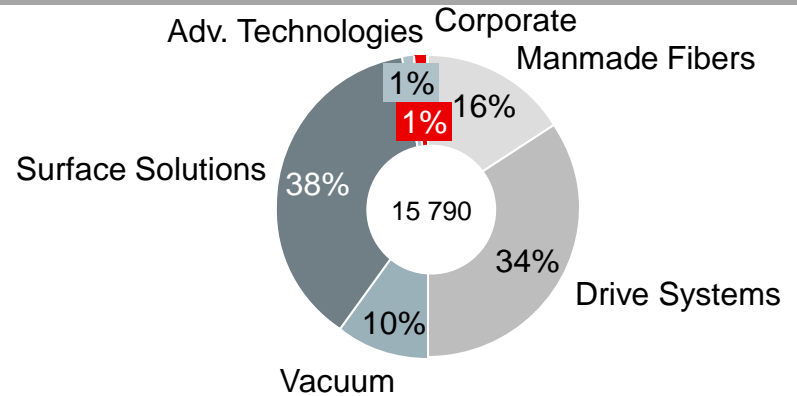


Asset allocation and employees on Segment level

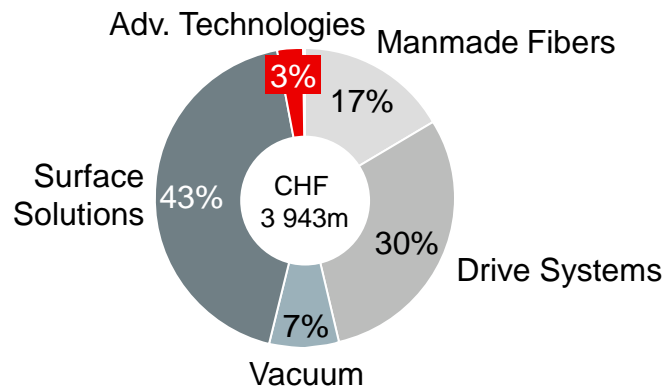
Net operating assets H1 2014



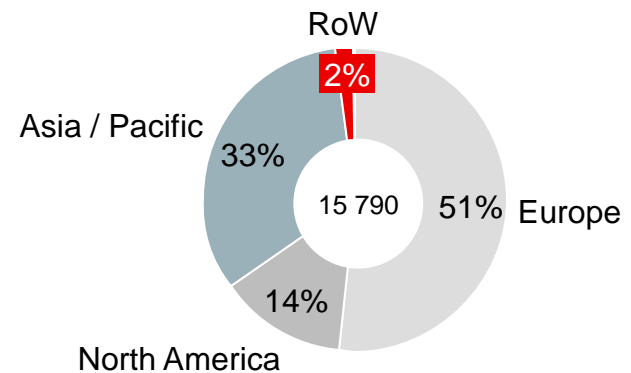
Employees (FTE) by Segment H1 2014



Operating Assets H1 2014



Employees (FTE) by Region H1 2014

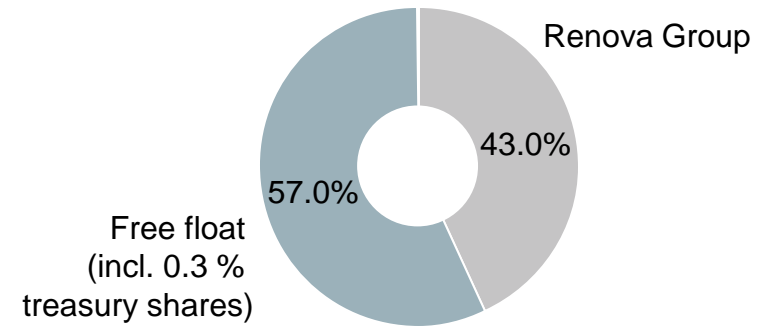


Oerlikon shares

- Listed on Swiss Exchange (SIX) since 1973
- Securities symbol: OERL
- Securities number 81 682
- ISIN: CH0000816824
- No. of shares outstanding: 339 758 576 shares (as of September 30, 2014)
- Re-entry to Swiss SMIM on April 17, 2012
- Addition to STOXX Europe 600 as of June 18, 2012

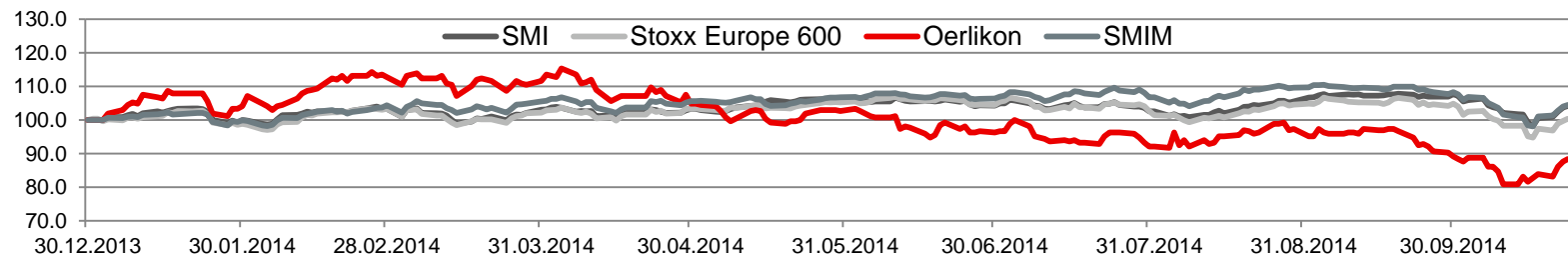
Oerlikon shareholder structure¹

as of October 14, 2014



Oerlikon share price development

as of October 24, 2014, indexed; 100 percent = closing price per December 30, 2013



¹ Based on 339 758 576 shares outstanding and latest notification by Renova (as of October 14, 2014 of 145 970 789 shares)

Coverage – 6 Buy/Accumulate & 4 Hold/Neutral

Broker	Analyst	Recommendation	Date of last update	Target price
AlphaValue	Pierre-Yves Gauthier	Buy	23.10.2014	15.40
Bank am Bellevue	Alessandro Foletti	Hold	06.08.2014	13.80
Berenberg Bank	Sebastian Künne	-	suspended	-
Credit Suisse	Patrick Laager	Outperform	19.08.2014	16.00
Baader Helvea	Reto Amstalden	Neutral	23.10.2014	14.90
Kepler Cheuvreux	Will Mackie	-	suspended	-
MainFirst	Michael Inauen	Outperform	17.10.2014	17.50
Mirabaud Securities LLP	Thomas Baumann	Buy	06.08.2014	16.50
Société Générale	Christophe Quarante	Hold	02.09.2014	15.20
UBS	André Rudolf von Rohr	Buy	25.09.2014	16.00
Vontobel	Michael Foeth	Buy	06.08. 2014	17.00
Zürcher Kantonalbank	Armin Rechberger	Marketweight	06.08.2014	-
Consensus		6 positive 4 neutral		15.71

Oerlikon Customer Base (Selection)

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



February 24, 2015

Q4 / FY 2014 results and publication of Annual Report 2014
- Annual Press Conference

April 8, 2015

Annual General Meeting of Shareholders
- KKL Lucerne

April 28, 2015

Q1 2015 Results
- Media & Analyst Conference Call

August 4, 2015

Q2 / HY 2015 results and publication of Interim Report 2015
- Media & Analyst Conference Call

October 27, 2015

Q3 / 9M 2015 results
- Media & Analyst Conference Call

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