

Third quarter 2014 results

Oerlikon continues its strong performance – Metco integration on track

- Strong sales growth of 25.8 % and order intake up 18.7 % in Q3 2014
- EBITDA margin of over 15 % and double-digit EBIT margin (10.2 %) for the 11th consecutive quarter including acquisition accounting effects and one-time integration costs related to the Metco transaction
- Metco integration confirms underlying rationale for the deal
- Full-year guidance for 2014 confirmed, with upside potential for profitability

Key figures Oerlikon Group as of September 30, 2014 (in CHF million)

	Q3 2014 ¹	Q3 2013	Δ	9M 2014 ²	9M 2013	Δ
Order intake	845	712	+18.7 %	2 287	2 188	+4.5 %
Order backlog	794	869	-8.6 %	794	869	-8.6 %
Sales	877	697	+25.8 %	2 404	2 140	+12.3 %
EBITDA	137	119	+15.1 %	387	357	+8.4 %
EBITDA margin	15.6 %	17.0 %	–	16.1 %	16.7 %	–
EBIT	90	88	+2.3 %	268	262	+2.3 %
EBIT margin	10.2 %	12.6 %	–	11.1 %	12.2 %	–
ROCE (rolling 12-month)	10.2 %	17.3 %	–	10.2 %	17.3 %	–

¹ Full consolidation of Metco; ² Metco consolidated for 4 months

Pfäffikon SZ, Switzerland – October 28, 2014 – In the third quarter of 2014, Oerlikon continued to record strong performance. The Group grew order intake by 18.7 % to CHF 845 million and sales by 25.8 % to CHF 877 million. Oerlikon generated a 15.6 % EBITDA margin and sustained solid profitability even after absorbing the one-time integration costs and acquisition accounting effects from the Metco transaction. At stable exchange rates, sales increased by 28.3 % to CHF 894 million compared to CHF 697 million in Q3 2013. The Manmade Fibers Segment continued to perform at a Best-in-Class level. Similarly, the Surface Solutions Segment delivered solid performance, despite the ongoing integration activities, growing also organically and with a strong underlying profitability. The Drive Systems Segment grew both sales and order intake compared to the prior year. The Vacuum Segment's business performance remained largely at the previous year's level. Group EBITDA stood at CHF 137 million compared to CHF 119 million in the third quarter of 2013, which resulted in a strong EBITDA margin of 15.6 % (Q3 2013: 17.0 %). EBITDA and EBIT were both impacted by one-time integration costs as well as acquisition accounting effects from the Metco acquisition. Oerlikon CEO Dr. Brice Koch said: "We confirmed our ability to achieve strong performance despite a challenging market environment. The Metco integration is progressing well and confirms the assumptions underlying the rationale for the deal. In light of our progress and current performance, we confirm our guidance for the full year 2014 and also see some upside on profitability."

Metco integration well under way

Since closing the Metco transaction on June 2, 2014, the integration of the Metco business is on track. The management team in the newly formed Surface Solutions Segment is fully in place. All 11 major integration workstreams, involving over 390 key employees, are progressing on or even ahead of schedule. A virtual gathering took place with over 6000 employees globally to align the teams. At 50 Metco sites worldwide, rebranding has been completed, while financial, legal, IT, HSE (Health, Safety and Environment) and HR reporting systems are ready and operational. Additionally, coordinated R&D technology programs have been defined and are advancing. The underlying businesses are developing as planned for 2014, where many joint customer visits are underway, with positive feedback. Tens of major key customers have asked to evaluate and validate together the additional opportunities of the combined businesses going forward. Both cost and revenue synergies have been identified in detail for each Business Unit, and are being integrated into the normal business planning cycle. Current synergy estimates are in excess of the initial investment analysis, confirming the underlying rationale of the transaction. The Surface Solutions Segment Analysts day is planned to take place on November 6, 2014.

Group sales and order intake rose

Group sales in the third quarter were CHF 877 million, an increase of 25.8 % compared to the CHF 697 million recorded in Q3 2013. At stable exchange rates, sales grew by 28.3 % to CHF 894 million. At the Segment level, sales trends were mixed: sales more than doubled through organic and inorganic growth at the Surface Solutions Segment to reach CHF 312 million. In line with the anticipated market normalization, sales at the Manmade Fibers Segment declined by 12.8 % to CHF 246 million. Drive Systems Segment recorded a 12.8 % growth to CHF 194 million, while the Vacuum Segment revenues were up 1.0 % to CHF 99 million and the Advanced Technologies Segment increased 18.2 % to CHF 26 million.

Group order intake in the third quarter of 2014 increased by 18.7 % to CHF 845 million compared to CHF 712 million in Q3 2013. The more than 100 % gain in new orders by the Surface Solutions Segment was attributable to strong organic and inorganic growth. That compensated for the anticipated normalization in the Manmade Fibers Segment as well as the weaker market demand in the Vacuum Segment.

Continued strong profitability

The Oerlikon Group continued to achieve strong profitability in the third quarter of 2014. The Group recorded an EBITDA margin of more than 15 % and a double-digit EBIT margin for the 11th consecutive quarter. Group EBITDA remained at a high level at 15.6 %, or CHF 137 million, compared to the previous year's level of CHF 119 million. EBIT came in at CHF 90 million, a 2.3 % increase over Q3 2013; the corresponding EBIT margin was 10.2 % compared to 12.6 % last year. The third quarter performance resulted in a rolling 12-month Oerlikon Group ROCE of 10.2 % versus 17.3 % in 2013. The profitability was achieved despite the significant absorption of one-time integration costs and acquisition accounting effects from the Metco transaction.

2014 outlook confirmed with upside on profitability

Oerlikon's guidance includes the consolidation of Metco for seven months of the 2014 financial year and takes into account the full absorption of transaction/integration costs and acquisition accounting effects related to the transaction. Based on the positive performance in the first three quarters of 2014, the Company confirms the previous guidance and sees upside on profitability. Compared to the reported figures for 2013, Oerlikon expects the following key financial metrics for the 2014 fiscal year based on stable exchange rates:

- Order intake growth to exceed 10 %
- Sales growth to exceed 15 %
- EBITDA margin to exceed 15 % (previously, to be around 15 %)
- EBIT margin to exceed 10 % (previously, to be around 10 %)

Segment overview

Surface Solutions Segment

Key figures Surface Solutions Segment as of September 30, 2014 (in CHF million)

	Q3 2014 ¹	Q3 2013	Δ	9M 2014 ²	9M 2013	Δ
Order intake	317	123	>100 %	644	374	+72.2 %
Order backlog	91	–	–	91	–	–
Sales (to third parties)	312	123	>100 %	639	374	+70.9 %
EBITDA	46	36	+27.8 %	108	108	0.0 %
EBITDA margin	14.6 %	28.9 %	–	16.8 %	29.0 %	–
EBIT	18	25	-28.0 %	51	76	-32.9 %
EBIT margin	5.7 %	20.4 %	–	7.9 %	20.2 %	–

¹ Full consolidation of Metco; ² Including Metco consolidated for 4 months

Following the successful acquisition of Metco, the Surface Solutions Segment continued its strong performance and positive business development. Due to the complementarity of the two businesses, the acquisition of Metco has provided Oerlikon with an attractive platform to further grow its business at a faster pace than the market as a whole by leveraging Oerlikon Balzers' expertise in the service business and its global network, as well as Oerlikon Metco's additional worldwide market access. Integration started in the third quarter with a program to consolidate and develop the future technology portfolio, build the new comprehensive product and service offering and align the two organizations. Metco was fully consolidated in the third quarter accounts for 2014 (consolidated for four months in the first nine months of 2014).

In the third quarter of 2014, the Segment's order intake and sales increased to CHF 317 million and CHF 312 million, respectively. These gains in order intake and sales were mainly attributable to the acquisition of Metco, but also to organic growth. EBITDA for the Surface Solutions Segment amounted to CHF 46 million, reflecting an EBITDA margin of 14.6 %. EBIT for the third quarter stood at CHF 18 million with an EBIT margin of 5.7 %. Both EBITDA and EBIT were impacted by integration costs and acquisition accounting effects from the Metco transaction.

The thin film service business reported positive business trends that are being driven by continued demand from the automotive and tooling industry in Europe, Asia and the United States. The Segment also reported solid demand from the aviation industry and growth in the power generation as well as oil and gas sectors.

Manmade Fibers Segment

Key figures Manmade Fibers Segment as of September 30, 2014 (in CHF million)

	Q3 2014	Q3 2013	Δ	9M 2014	9M 2013	Δ
Order intake	221	272	-18.8 %	689	812	-15.1 %
Order backlog	402	566	-29.0 %	402	566	-29.0 %
Sales (to third parties)	246	282	-12.8 %	816	845	-3.4 %
EBITDA	52	51	+2.0 %	175	149	+17.4 %
EBITDA margin	21.3 %	18.3 %	–	21.4 %	17.7 %	–
EBIT	48	46	+4.3 %	161	135	+19.3 %
EBIT margin	19.3 %	16.5 %	–	19.7 %	16.0 %	–

In line with the anticipated market normalization and against the backdrop of strong comparable results in the past year, the Manmade Fibers Segment recorded a sales decrease of 12.8 % to CHF 246 million (Q3 2013: CHF 282 million) while maintaining a sustained level of high profitability. Orders stood at CHF 221 million, a decrease of 18.8 % from CHF 272 million in Q3 2013 but sequentially stabilized compared to CHF 228 million in Q2 2014. EBITDA amounted to CHF 52 million, reflecting an EBITDA margin of 21.3 % (Q3 2013: 18.3 %). EBIT came in at CHF 48 million, up 4.3 % compared to the same quarter last year.

In Q3 2014, the Manmade Fibers Segment successfully leveraged its existing technologies and expertise in polymer processing into adjacent and growing markets and celebrated the opening of a polycondensation plant for one of its key customers. The Segment's polycondensation plants enable customers to produce energy-efficient polycondensation granulate for packaging (PET bottles and films). The technology used in the manufacturing of bottle granulates is largely identical with that used for manmade fibers. This was the second project of its kind to be completed by the Segment. The Segment also expanded its service and spare parts business by 21 %, and is on track in its efforts to partially offset the anticipated market normalization in China by means of additional sales of services.

As planned, Stefan Kross, CEO of the Manmade Fibers Segment, will retire at the end of 2014. In line with long-term succession planning, Georg Stausberg will succeed Stefan Kross as CEO of the Manmade Fibers Segment and will join the Oerlikon Executive Committee as of January 1, 2015. Oerlikon thanks Stefan Kross for his great contributions and achievements in making the Manmade Fibers Segment a true industry leader and wishes him all the best for the next stage of his life. Georg Stausberg is currently COO of the Manmade Fibers Segment and is in charge of the operational and service business. He has more than 25 years of experience within the Segment and previously held various key management positions, including CTO and Head of Business Unit. He will ensure the continued development and lead the success of the business.

Drive Systems Segment

Key figures Drive Systems Segment as of September 30, 2014 (in CHF million)

	Q3 2014	Q3 2013	Δ	9M 2014	9M 2013	Δ
Order intake	190	186	+2.2 %	604	594	+1.7 %
Order backlog	200	160	+25.0 %	200	160	+25.0 %
Sales (to third parties)	194	172	+12.8 %	596	561	+6.2 %
EBITDA	20	15	+33.3 %	62	49	+26.5 %
EBITDA margin	10.3 %	8.7 %	–	10.5 %	8.7 %	–
EBIT	10	6	+66.7 %	30	17	+76.5 %
EBIT margin	5.1 %	3.4 %	–	5.0 %	3.0 %	–

The Drive Systems Segment was faced with an ongoing challenging market environment in the third quarter of 2014. However, it was able to achieve further progress and improve its business performance. Orders grew by 2.2 % year-on-year to CHF 190 million and sales increased by 12.8 % to CHF 194 million in Q3 2014 compared to CHF 172 million in Q3 2013. As a result of the ongoing measures to improve operating efficiency, the Segment's profitability improved year-on-year: EBITDA grew by 33.3 % to reach CHF 20 million versus the CHF 15 million recorded in the third quarter of 2013, while Q3 2014 EBIT increased to CHF 10 million (Q3 2013: CHF 6 million).

During the third quarter, the Drive Systems Segment saw further positive momentum in the U.S. construction and infrastructure market and initial signs of an uptick in the oil and gas (offshore) and gas fracking equipment markets. The agriculture business remained muted due to the ongoing challenging market conditions in Europe and North America and a bad monsoon season in Asia. In addition, global demand for mining equipment remained low. The Segment is continuing with its operational and structural efficiency programs, which are expected to have further positive effects on the Segment's competitiveness.

Vacuum Segment

Key figures Vacuum Segment as of September 30, 2014 (in CHF million)

	Q3 2014	Q3 2013	Δ	9M 2014	9M 2013	Δ
Order intake	97	102	-4.9 %	290	308	-5.8 %
Order backlog	80	85	-5.9 %	80	85	-5.9 %
Sales (to third parties)	99	98	+1.0 %	291	294	-1.0 %
EBITDA	11	13	-15.4 %	30	42	-28.6 %
EBITDA margin	11.2 %	12.6 %	–	10.2 %	14.1 %	–
EBIT	8	9	-11.1 %	20	32	-37.5 %
EBIT margin	7.6 %	9.0 %	–	6.7 %	10.7 %	–

The Vacuum Segment is still confronted with a challenging market environment. The energy sector in particular saw postponements of larger-scale projects in industrial and glass-coating applications. Positive trends emerged in the general processing industry and solar industry. Orders in the third quarter declined slightly year-on-year by 4.9 % to CHF 97 million, while sales increased by 1.0 % to CHF 99 million. Sequentially, the Segment's profitability stabilized with EBITDA amounting to CHF 11 million, which resulted in an EBITDA margin of 11.2 % (Q3 2013: EBITDA of CHF 13 million; margin of 12.6 %). EBIT totaled CHF 8 million, representing an EBIT margin of 7.6 % (Q3 2013: EBIT of CHF 9 million; margin of 9.0 %).

In the third quarter of 2014, the Segment won a significant large-scale order in steel degassing from Siemens and several steel degassing orders from various global customers. In addition, Oerlikon Leybold Vacuum made further investments to improve its internal alignment and organizational effectiveness.

Advanced Technologies Segment

Key figures Advanced Technologies Segment as of September 30, 2014 (in CHF million)

	Q3 2014	Q3 2013	Δ	9M 2014	9M 2013	Δ
Order intake	20	29	-31.0 %	60	100	-40.0 %
Order backlog	21	58	-63.8 %	21	58	-63.8 %
Sales (to third parties)	26	22	+18.2 %	62	66	-6.1 %
EBITDA	1	0	n/a	-5	-1	>-100 %
EBITDA margin	5.0 %	2.1 %	–	n/a	n/a	–
EBIT	0	-1	n/a	-8	-4	-100 %
EBIT margin	1.6 %	n/a	–	n/a	n/a	–

Order intake at the Advanced Technologies Segment totaled CHF 20 million, 31 % lower than the comparable prior-year period. Sales increased to CHF 26 million, which corresponds to a year-on-year increase of 18.2 % with a positive impact on profitability despite the Segment's continued high R&D activities. EBITDA came in at CHF 1 million (Q3 2013: CHF 0 million) and EBIT was breakeven compared to a negative CHF 1 million a year ago.

The business continued to face challenges primarily due to the slower-than-expected market recovery, the phasing of projects in the semiconductor equipment industry and a further postponement of investments by advanced nanotechnology customers. However, looking ahead, the market sentiment is turning positive, especially in advanced packaging, MEMS and power devices.

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Additional information

Oerlikon will present its results in English during its conference call today starting at 1:00 p.m. CET. To participate, please dial the following numbers a few minutes before the start:

Country	Toll-free	Toll-local
Switzerland	0800 001 874	+41 225 802 991
Germany	0800 80 50 122	+49 69 20 17 44 209
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The accompanying presentation can be viewed in parallel via the following link:
<http://event.mescdn.com/oerlikon/webcast-20141028>.

Please find the media release including a full set of tables at www.oerlikon.com/pressreleases and www.oerlikon.com/ir.

About Oerlikon

Oerlikon (SIX: OERL) is a leading high-tech industrial group specializing in machine and plant engineering. The Company is a provider of innovative industrial solutions and cutting-edge technologies for manmade fibers manufacturing, drive systems, vacuum, surface solutions and advanced nanotechnology. A Swiss company with a tradition going back over 100 years, Oerlikon is a global player with around 16 000 employees at over 170 locations in 35 countries and pro-forma sales of CHF 3.6 billion in 2013. The Company invested in 2013 CHF 146 million in R&D (pro-forma 2013), with over 1 200 specialists working on future products and services. In most areas, the operative businesses rank either first or second in their respective global markets.

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