

First-quarter 2018 results

Record Q1 top-line results with growth in all Segments

- Over 35 % increase in Group order intake and sales
- Continued steady growth in Surface Solutions Segment
- More than doubled order intake, sales and EBITDA in Manmade Fibers Segment
- Strong top-line growth and double-digit EBITDA margin in Drive Systems Segment
- Higher year-on-year Group EBITDA margin at 15.1 %
- Guidance confirmed

Key figures of the Oerlikon Group as of March 31, 2018 (in CHF million)

	Q1 2018	Q1 2017 ¹	Δ
Order intake	974	707	37.8 %
Order backlog	848	532	59.4 %
Sales	813	599	35.7 %
EBITDA	123	86	43.0 %
EBITDA margin	15.1 %	14.3 %	–
EBIT	72	39	84.6 %
EBIT margin	8.9 %	6.5 %	–
ROCE (rolling 12-month)	9.6 %	5.8 %	–

¹ Restated according to new IFRS 15 (revenue recognition) accounting standard.

Pfäffikon, Schwyz, Switzerland – May 2, 2018 – “We have started the year very strongly, achieving a record in orders and sales, and have also improved our operating profitability,” said Dr. Roland Fischer, CEO Oerlikon Group.

“All three Segments contributed to the excellent results. The surface solutions business progressed steadily on its growth path – both organically and through two targeted technology acquisitions. The Manmade Fibers Segment achieved another quarter of substantial growth, while the Drive Systems Segment noticeably advanced its business in recovering end markets. Our outstanding results confirm that we have the right strategy, focusing on strengthening our core businesses, to sustain profitable growth. Based on this performance, we affirm our guidance for the full year.”

Excellent Group orders, sales and profitability achieved

The positive sentiments in the global economy continued from 2017 into the first quarter. The high level of capital investments and demand for services were seen across all Oerlikon's end markets. Effectively exploiting the market opportunities, Oerlikon achieved an all-time high in order intake and sales – raising both by more than 35 % year-on-year – and a nearly 60 % increase in order backlog. At constant exchange rates, sales stood at CHF 787 million.

The Surface Solutions Segment remained on its growth course, increasing orders and sales in equipment, materials and services globally. In particular, very strong demand was noted in general industries. The Manmade Fibers Segment significantly boosted its top line and operating profitability. The Segment more than doubled orders and sales, attributed primarily to the filament equipment business in China, and substantiated with a high level of new business in India and Turkey for filament equipment, as well as for texturing, carpet yarn and staple fibers equipment. The Drive System Segment realized around 20 % gains in orders and sales, as it secured wins in all key end markets globally, in particular in agriculture, transportation and automotive.

Bolstered by the exceptional top-line performance and reinforced by disciplined cost management, the Group's year-on-year EBITDA increased to CHF 123 million, yielding a high EBITDA margin of 15.1 %. EBIT for Q1 2018 stood at CHF 72 million, or 8.9 % of sales. The first-quarter performance resulted in a rolling 12-month Oerlikon Group ROCE of 9.6 %, reflecting the higher operating profit over a slightly increased asset base. For the first quarter of 2018, Oerlikon generated 30.4 % of total Group sales (Q1 2017: 37.8 %) through services, reflecting the high level of equipment sales, specifically in the manmade fibers business.

2018 outlook confirmed

Oerlikon expects the overall positive momentum in its end markets to persist in the upcoming quarters. However, geopolitical tensions and protectionist policies could impact international trade and business in industrial sectors. Based on the Group's strong performance in the first quarter, the Group expects order intake to increase up to CHF 3.4 billion and sales to around CHF 3.2 billion for the full year 2018, and to deliver an improved EBITDA margin, after offsetting investments in additive manufacturing, of around 15 %.

Segment overview

Surface Solutions Segment

Key figures of the Surface Solutions Segment as of March 31, 2018 (in CHF million)

	Q1 2018	Q1 2017	Δ
Order intake	384	351	9.4 %
Order backlog	144	100	44.0 %
Sales (to third parties)	361	331	9.1 %
EBITDA	69	70	-1.4 %
EBITDA margin	19.1 %	21.1 %	–

The Surface Solutions Segment delivered another quarter of strong performance with organic growth in the top line, fortified by two targeted technology acquisitions (Diarc and Sucotec). Demand for equipment, materials and services was noted worldwide. In particular, the Segment saw a significant upward trend in general industries, which included coatings for precision equipment, semiconductors and medical applications.

Coupling top-line growth with effective cost management, the Segment sustained a high level of EBITDA margin, even after accounting for the investments in additive manufacturing. EBIT for Q1 2018 stood at CHF 36 million (Q1 2017: CHF 40 million) and the EBIT margin was 10.0 % (Q1 2017: 12.1 %).

In the first quarter, the Segment acquired Diarc and Sucotec. Diarc's thin-film technologies enhance Oerlikon Balzers' portfolio for customers in the automotive and precision component industries and strengthen Oerlikon's foothold in Finland. With Sucotec, Oerlikon Balzers expands its offering with high-quality chemical vapor deposition systems for the tooling market. Furthermore, the Segment inaugurated its new coating center in Johor, Malaysia, to meet the high demand from customers in the automotive, aerospace, medical, general engineering and electronics industries in Malaysia and Singapore.

For its additive manufacturing (AM) business, Oerlikon signed a five-year agreement with Boeing to develop standard materials and processes from powder management to finished product, and thus enable the development of a wide range of safe, reliable and cost-effective structural titanium aerospace components. Oerlikon is also partnering with Farsoon Technologies to provide a combined solution of qualified Oerlikon AM metal powders with Farsoon AM printers, and thereby to increase the adoption of AM in China.

Manmade Fibers Segment

Key figures of the Manmade Fibers Segment as of March 31, 2018 (in CHF million)

	Q1 2018	Q1 2017	Δ
Order intake	373	174	>100 %
Order backlog	507	325	56.0 %
Sales (to third parties)	243	98	>100 %
EBITDA	27	0	>100 %
EBITDA margin	11.1 %	-0.2 %	–

The filament equipment business was the main contributor to the Segment's remarkable performance in the first quarter. The Segment secured large-scale orders and benefited from positive market sentiments for upgrading of production capacities. The strong sales for filament spinning machines provided a stable project landscape for texturing machines. The Segment's top-line growth was mainly led by business wins in China, however, a high level of demand was also noted in India and Turkey for filament equipment, as well as for texturing, staple fibers and carpet yarn systems. In North America, a noticeable uptick in orders was registered, attributed to the healthy growth in the carpet yarn business in this market.

Supported by the high level of sales, EBITDA was more than 100 % higher than in the previous year. EBIT for Q1 2018 stood at CHF 22 million (Q1 2017: CHF -5 million) and the EBIT margin was 8.9 % (Q1 2017: -5.4 %).

Drive Systems Segment

Key figures of the Drive Systems Segment as of March 31, 2018 (in CHF million)

	Q1 2018	Q1 2017	Δ
Order intake	217	182	19.2 %
Order backlog	197	107	84.1 %
Sales (to third parties)	209	170	22.9 %
EBITDA	26	14	85.7 %
EBITDA margin	12.4 %	8.4 %	–

The Segment drove its business forward, achieving almost 20 % growth in order intake and over 20 % increase in sales in the first quarter. The Segment continued to reap benefits from its repositioned strategy and attained growth in all of its key end markets – agriculture, construction, transportation, automotive and energy/mining – across all regions. In its largest market – agriculture – the Segment noted higher demand in India, the USA and Europe. Strong growth was also registered in the transportation market, particularly for commercial vehicles in India and China. In the automotive sector, higher sales volumes for passenger cars in India and China supplemented the stable growth in Europe. A slight recovery in the oil & gas and mining industries was also observed, especially in the fracking industry.

Robust sales combined with cost management measures resulted in an improved EBITDA of over 80 % compared to the same period in 2017 and a double-digit EBITDA margin of 12.4 %. EBIT for Q1 2018 stood at CHF 14 million (Q1 2017: CHF 3 million) and the EBIT margin was 6.6 % (Q1 2017: 2.0 %). Furthermore, the US-insurance plan has been amended in Q1 2018, for which the assessment of the financial impact has not yet been finalized and hence was not included in the Q1 results. Estimates indicate a potential positive impact on EBITDA in the magnitude of around CHF 10 million.

The positive momentum in the e-drive market saw further stimulus, where a jump in sales volume for China's new energy vehicles was noticed. In preparation for the launch of its first e-drive transmissions in China, the Segment has signed an agreement to set up a new plant in the Changshu New and Hi-Tech Industrial Development Zone.

Additional information

Oerlikon will present its results in English during its conference call today beginning at 14:00 hrs CEST. To participate, please dial the following numbers a few minutes before the start of the conference call:

Country	Local toll call:
Switzerland	+41 (0) 58 310 50 00
UK	+44 (0) 207 107 06 13
USA	+1 (631) 570 5613

The accompanying presentation can be viewed simultaneously by clicking [here](#).

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) engineers materials, equipment and surfaces and provides expert services to enable customers to have high-performance products and systems with extended lifespans. Drawing on its key technological competencies and strong financial foundation, the Group is sustaining mid-term growth by executing three strategic drivers: addressing attractive growth markets, securing structural growth, and expanding through targeted mergers and acquisitions. A leading global technology and engineering Group, Oerlikon operates its business in three Segments – Surface Solutions, Manmade Fibers and Drive Systems – and has a global footprint of around 15 000 employees at 186 locations in 37 countries. In 2017, Oerlikon generated CHF 2.8 billion in sales and invested CHF 107 million in R&D.

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