

## First quarter 2014 results

## Oerlikon confirms high level of profitability

- Q1 2014 EBIT margin of 12.1 %; EBITDA margin of 16.7 %
- Sales of CHF 720 million at prior year level impacted by foreign exchange rates; sales growth of 1.9 % at stable currencies (CHF 737 million)
- Manmade Fibers and Coating Segments continue at Best-in-Class level
- Closing of Metco transaction on track
- Ongoing innovations and regional expansion in most of the Segments
- Full-year 2014 guidance confirmed

Key figures Oerlikon Group as of March 31, 2014 (in CHF million)

	Q1 2014	Q1 2013	Δ
Order intake	697	763	-8.7 %
Order backlog	790	894	-11.6 %
Sales	720	723	-0.4 %
EBITDA	120	117	+2.6 %
EBITDA margin	16.7 %	16.2 %	-
EBIT	87	85	+2.4 %
EBIT margin	12.1 %	11.8 %	-
ROCE (rolling 12-month)	17.0 %	17.0 %	-

**Pfäffikon SZ, Switzerland – April 29, 2014 –** In the first quarter of 2014, Oerlikon continued to deliver a sustainable high profitability reinforcing its position among leading industrial peers. Despite ongoing challenges in major end markets and regions, EBIT increased to CHF 87 million from CHF 85 million in Q1 2013, resulting in an EBIT margin of 12.1 % (Q1 2013: 11.8 %). Oerlikon's Manmade Fibers and Coating Segments contributed most prominently to the Group's profitability. At stable exchange rates sales grew by 1.9 % to CHF 737 million (reported: CHF 720 million) compared to CHF 723 million a year ago. Order intake softened as expected in the first quarter of 2014 to CHF 697 million compared to the exceptional high Q1 2013 at CHF 763 million in which a record order intake was realized in the Manmade Fibers and Advanced Technologies Segments. Oerlikon CEO Dr. Brice Koch said: "Based on our innovative product portfolio and balanced global market position, we delivered underlying sales growth in Q1 2014 and we have a good foundation to accelerate growth on our multi-year agenda. The first quarter results are another confirmation of Oerlikon's ability to sustainably deliver high profitability further strengthening our position and agility going forward."

### Group sales stable, order intake as expected

Q1 Group sales came in at CHF 720 million at the prior year level, growing at stable currency rates by 1.9 % to CHF 737 million compared to CHF 723 million a year ago. Sales grew in the Drive Systems (+3.2 % to CHF 194 million) and Vacuum (+2.1 % to CHF 96 million) Segments. Manmade Fibers Segment sales declined by 3.6 %, still operating on a high level at CHF 296 million. The decrease resulted from the normal phasing in project-driven businesses. Coating Segment sales were stable at

CHF 124 million with growth in coating services in local currencies compensating for slightly fewer equipment sales.

Q1 2014 Group order intake softened by 8.7 % to CHF 697 million compared to CHF 763 million in Q1 2013, an exceptional high quarter in which the Manmade Fibers and Advanced Technologies Segments achieved record bookings. Manmade Fibers reported order intake of CHF 240 million (Q1 2013: CHF 290 million). The Drive Systems Segment recorded 3.0 % growth in order intake to CHF 209 million – despite the continued softness in major end markets such as heavy-duty off-highway equipment and mining. The Vacuum Segment maintained its order intake level at CHF 105 million, supported by demand in the process and Research & Development industry (R&D). Order intake in the Coating Segment was stable at CHF 124 million. Order intake in the Advanced Technologies Segment reached CHF 19 million, as some major semiconductor customers have not yet finalized their investment decisions.

### **Strong profitability with 16.7 % EBITDA margin and 12.1 % EBIT margin**

Despite challenging market conditions faced across the Group, Oerlikon continued to improve its profitability compared to the previous year. EBITDA increased by 2.6 % to CHF 120 million compared to CHF 117 million a year ago. EBITDA margin improved by 50 basis points to 16.7 %. EBIT grew to CHF 87 million from CHF 85 million in Q1 2013; the corresponding EBIT margin improved to 12.1 % compared to 11.8 % a year ago. Q1 2014 performance resulted in a rolling 12-month Oerlikon Group ROCE of 17.0 % (Q1 2013: 17.0 %).

### **Innovation and regional expansion continued**

The Segments continued to strengthen their technology position. The Vacuum Segment launched the TURBOVAC i/iX, Oerlikon's new vacuum pump generation for analytical instruments and for R&D applications, and the Manmade Fibers Segment introduced the Staple FORCE S 1 000 for the production of nonwovens, which is characterized by exceptionally high production speed of 1 000 meters per minute along with simple and fast handling. At the same time, Oerlikon continued to further expand regionally and to balance its global footprint. The buildup of the Drive Systems Segment's third plant in India is on schedule. The Coating Segment expanded capacities of its global competence center for diamond coatings in Luxembourg to meet growing demand from the aircraft and automotive industry. A new coating center in Austria was opened subsequent to the reporting period. The Vacuum Segment shifted parts of its product lines from its French facility in Valence to Tianjin, China. "We continuously develop new technologies and expand our global network to secure, maintain and expand our leading position. We invest in the future of our customers and the Oerlikon Group", says CEO Dr. Brice Koch.

### **Metco transaction on track**

On January 31, 2014, Oerlikon announced an agreement to acquire Metco, a division of Sulzer AG. The combination of Metco with Oerlikon's existing Coating Segment will form the world technology leader in Surface Solutions. The closing, which is subject to the approval of merger control, is proceeding according to plan and is expected in the third quarter of 2014.

### **2014 outlook confirmed**

Based on the Q1 2014 results and prior to the closing of the Metco transaction, Oerlikon confirmed its outlook for the fiscal year 2014 and expects:

- Organic sales growth
- Stable order intake and stable profitability

## Segment overview

### Manmade Fibers Segment

Key figures Manmade Fibers Segment as of March 31, 2014 (in CHF million)

	Q1 2014	Q1 2013	Δ
Order intake	240	290	-17.2 %
Order backlog	475	600	-20.8 %
Sales (to third parties)	296	307	-3.6 %
EBITDA	65	53	+22.6 %
EBITDA margin	21.9 %	17.3 %	-
EBIT	60	49	+22.4 %
EBIT margin	20.4 %	15.8 %	-

In Q1 2014, the Manmade Fibers Segment continued to operate on Best-in-Class level with an additional increase in profitability and ongoing high business volumes. Order intake reached CHF 240 million, a decline of 17.2 % compared to Q1 2013, which was a record quarter for the business. The reflection of phasing of large-scale project businesses resulted in sales amounting to CHF 296 million, a softening of 3.6 %, still close to the exceptional high sales in Q1 2013.

EBIT in the first quarter of 2014 grew to CHF 60 million, an increase of CHF 11 million or 22.4 % compared to the previous year, resulting in an increase of the EBIT margin to 20.4 % compared to 15.8 % last year. Ongoing operational excellence measures including cost variabilization as well as a favorable product mix drove the profitability enhancement.

The Staple FORCE S 1 000 was introduced under the established Oerlikon Neumag brand, which allows the efficient and flexible production of small lots of staple fibers such as polyester, polypropylene and bicomponents. With this new plant fiber producers have the possibility of economically serving special markets, e.g. in the field of technical nonwovens. The combination of the compact construction and quick operability enables a fast, efficient product change with significantly lower waste rates than with conventional plants.

### Drive Systems Segment

Key figures Drive Systems Segment as of March 31, 2014 (in CHF million)

	Q1 2014	Q1 2013	Δ
Order intake	209	203	+3.0 %
Order backlog	194	152	+27.6 %
Sales (to third parties)	194	188	+3.2 %
EBITDA	19	15	+26.7 %
EBITDA margin	9.8 %	7.9 %	-
EBIT	8	3	>100 %
EBIT margin	4.1 %	1.8 %	-

The Drive Systems Segment experienced improved sales and profitability in the first quarter compared to the same period last year despite the ongoing challenging business climate at the beginning of 2014. Specifically, the weakness in global mining and road construction continued while the agricultural market began to show softness due to lower crop prices impacting farmers' incomes. First signs of a recovery in the construction market in the USA did not compensate the overall weak global environment.

Despite these conditions the Segment managed to increase order intake by 3.0 % to CHF 209 million (Q1 2013: CHF 203 million) and to grow sales by 3.2 % to CHF 194 million (Q1 2013: CHF 188 million). As a result of comprehensive cost saving measures EBIT improved from CHF 3 million to CHF 8 million in the first quarter of 2014, corresponding to an EBIT margin of 4.1 % (Q1 2013: 1.8 %).

The construction of the third plant in India is on schedule on the new 30-acre site in Sanand in the state of Gujarat. This new facility will allow the Drive Systems Segment to expand its offering of high-performance products and solutions by leveraging and localizing its capabilities in this growing market.

## Vacuum Segment

Key figures Vacuum Segment as of March 31, 2014 (in CHF million)

	Q1 2014	Q1 2013	Δ
Order intake	105	105	0.0 %
Order backlog	86	85	+1.2 %
Sales (to third parties)	96	94	+2.1 %
EBITDA	8	14	-42.9 %
EBITDA margin	8.3 %	14.8 %	-
EBIT	5	11	-54.5 %
EBIT margin	4.8 %	11.3 %	-

The vacuum industry continued to grow in Q1 2014. While the analytical and glass-coating markets continued to perform well, the process industry – the Segment's most important end market – and the solar industry showed first signs of recovery. To ensure margin improvement mid- to long-term, the Segment continued to execute restructuring measures impacting profitability in the quarter. This includes the realignment of its global sales organization as well as the restructuring of its European production and service setup with the aim to increase customer proximity in Asia by moving parts of its product lines from its facility in Valence, France, to Tianjin, China.

Order intake for Q1 2014 was stable at CHF 105 million. The Segment generated sales of CHF 96 million, an increase of 2.1 % from the prior-year's level due in part to an increase in market share. Due to restructuring measures, product mix and further future-oriented investments in R&D and sales, Segment EBIT amounted to CHF 5 million compared to CHF 11 million in the prior year quarter, corresponding to a margin of 4.8 % compared to 11.3 % in Q1 2013.

At the beginning of the year the Vacuum Segment launched its new pump generation TURBOVAC i/iX for applications in the analytics, R&D and process industry amongst others. The design principle has been patented by Oerlikon and allows for extremely high pump performance: the pump speed of the TURBOVAC i/iX models for light gases is 60 % higher than those of comparable products. Additionally, the Segment won the Red Dot Product Design Award for its leak detector PHOENIX L500i.

## Coating Segment

Key figures Coating Segment as of March 31, 2014 (in CHF million)

	Q1 2014	Q1 2013	Δ
Order intake	124	124	0.0 %
Order backlog	-	-	-
Sales (to third parties)	124	124	0.0 %
EBITDA	36	36	0.0 %
EBITDA margin	29.0 %	29.0 %	-
EBIT	24	25	-4.0 %
EBIT margin	19.6 %	20.0 %	-

The Coating Segment continued its strong performance and operated at Best-in-Class level with an EBIT of CHF 24 million and an EBIT margin of 19.6 % (Q1 2013: EBIT of CHF 25 million, EBIT margin of 20.0 %). Reported sales were stable on a high level compared to the prior-year quarter amounting to CHF 124 million. Coating services showed ongoing strong growth (Q1 2014: +5.0 %), but project-driven equipment sales and the development of foreign exchange rates impacted reported total sales. At stable currencies total sales increased by 4.9 % (CHF 130 million). Coating services in Q1 2014 accounted for 98 % (Q1 2013: 92 %) and equipment sales for 2 % (Q1 2013: 8 %) of the Segment sales.

Coating services posted growth due to rising demand in the global automotive industry especially in the USA and China and newly developed markets for components coating, e.g. decorative coatings for the watch industry. The Segment continued to successfully implement its growth strategy which includes strengthening of the components business, continuing regional expansion and ongoing product innovation. The further roll-out of new technologies such as S3p and its revolutionary BALIQ coatings continued as planned. Also, the one-stop-shop solution "rox" that combines coating and regrinding services is now offered in eight coating centers in six countries (Austria, China, India, Mexico, Turkey and South Korea).

The Coating Segment has increased production capacity for its technology-leading diamond coatings to meet growing demand from the aircraft and automotive industries. Companies within these sectors are increasingly using carbon-fiber reinforced plastics (CFRP), which are highly valued for their lightweight and robust characteristics. Processing CFRP requires extremely wear-resistant, sharp and smooth cutting tools. The extra capacity will be created at Niederkorn Coating Center in Luxembourg, which is the company's global competence center for high-performance carbon coating for cutting tools. Additionally, a second coating center in Austria was opened subsequent to the reporting period with start of production in Q2 2014.

The announced acquisition of Metco to form the global technology leader for Surface Solutions is progressing according to plan. Significant efforts are undertaken to prepare for a successful and smooth integration of the acquired businesses following the closing, which is expected in Q3 2014, subject to the currently outstanding merger control approvals.

## Advanced Technologies Segment

Key figures Advanced Technologies Segment as of March 31, 2014 (in CHF million)

	Q1 2014	Q1 2013	Δ
Order intake	19	41	-53.7 %
Order backlog	35	57	-38.6 %
Sales (to third parties)	10	10	0.0 %
EBITDA	-5	-5	0.0 %
EBITDA margin	n/a	n/a	n/a
EBIT	-6	-6	0.0 %
EBIT margin	n/a	n/a	n/a

Performance of the Advanced Technologies Segment in Q1 2014 was impacted by the typical seasonality of the business and a delay of the expected recovery in the semiconductor equipment demand. Order intake of the Segment was down 53.7 % to CHF 19 million, as the previous year's quarter included a multi-tool order for an advanced nanotechnology application, whereas the order intake for the semiconductor application remained on a comparable level. Sales remained stable at CHF 10 million. EBIT stood at CHF -6 million in Q1 2014 as in the previous year's quarter, due to low sales volume and ongoing high investments in R&D.

In the first quarter of 2014, Oerlikon Systems received an award from Analog Devices Inc. (ADI). The ADI Supplier Excellence Award goes to outstanding suppliers who play a key role in the success and work with ADI on the ongoing further development and improvement of products and manufacturing processes.

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### Additional information

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

Switzerland	0800 001 874
Germany	0800 80 50 122
UK	0800 279 9498
USA	+1 866 305 6290

The accompanying presentation can be viewed in parallel by opening the following link:  
<http://event.mescdn.com/oerlikon/webcast-20140429>.

Please find the media release including a full set of tables at [www.oerlikon.com/pressreleases](http://www.oerlikon.com/pressreleases) and [www.oerlikon.com/ir](http://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 13 000 employees at over 150 locations in 34 countries and sales of CHF 2.9 billion in 2013. In 2013, the Company invested CHF 122 million in R&D, with over 1 000 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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