

Third quarter 2013 results

## Oerlikon reported strong order intake and sequential margin improvement in Q3; guidance confirmed

- Strong order intake growth of 6.7 % to CHF 712 million
- Sequential improvement of EBIT margin to 12.6 %
- Sales of CHF 697 million
- Strong financial position with net liquidity of CHF 963 million
- Regional expansion continued. Launch of new products in Manmade Fibers, Drive Systems, Coating and Advanced Technologies Segments
- Full-year 2013 guidance confirmed

Key figures Oerlikon Group as of September 30, 2013 (in CHF million)

	Q3 2013	Q3 2012	Δ	9M 2013	9M 2012	Δ
Order intake <sup>1</sup>	712	667	+6.7 %	2 188	2 169	+0.9 %
Order backlog <sup>1</sup>	869	901	-3.6 %	869	901	-3.6 %
Sales <sup>1</sup>	697	735	-5.2 %	2 140	2 213	-3.3 %
EBIT <sup>1</sup>	88	99	-11.1 %	262	332	-21.1 %
EBIT margin <sup>1</sup>	12.6 %	13.5 %	-	12.2 %	15.0 %	-
EBIT (excl. one-time effect) <sup>1,2</sup>	88	99	-11.1 %	262	293	-10.6 %
EBIT margin (excl. one-time effect) <sup>1,2</sup>	12.6 %	13.5 %	-	12.2 %	13.2 %	-
ROCE <sup>3</sup>	17.3 %	17.3 % <sup>4</sup>	-	17.3 %	17.3 % <sup>4</sup>	-

<sup>1</sup> Continuing operations (Q3 2012/9M 2012 restated); <sup>2</sup> Sale of Arbon property in Q1 2012; <sup>3</sup> Rolling 12-month; <sup>4</sup> As reported.

**Pfäffikon SZ, Switzerland – October 29, 2013 – With a Q3 EBIT margin of 12.6 %, Oerlikon sequentially improved its profitability in the first nine months of 2013 and continued to deliver strong earnings in the third quarter despite a challenging business environment across the Group. Oerlikon’s Manmade Fibers and Coating Segments continued to operate on Best-in-Class levels. Group order intake showed strong growth of 6.7 % to CHF 712 million and sales were close to the prior year’s level at CHF 697 million. The Group launched a number of innovative new products and continued to invest in regional expansion. Oerlikon CEO Jürg Fedier said: “The strong order intake is a positive signal for our major end markets. However, we continue with our rigorous cost management until we get a more tangible affirmation of this trend. We are on track to deliver our full-year targets.” The Company confirmed its guidance for the full-year 2013.**

## **Group order intake improved, sales as expected**

Q3 Group order intake grew by 6.7 % to CHF 712 million compared to CHF 667 million in Q3 2012. The drivers of this increase were continued volume growth in the Manmade Fibers Segment (+6.3 %), project-driven orders with delivery in 2014 from energy customers in the Drive Systems Segment (+12.7 %) and growth in the R&D and analytics market in the Vacuum Segment (+9.7 %). Advanced Technologies Segment order intake was slightly up by 3 % to CHF 29 million.

As expected, Q3 Group sales reached CHF 697 million compared to CHF 735 million (-5.2 %) a year ago. Sales grew in the Advanced Technologies (+10 %, CHF 22 million) and Vacuum (+6.5 %, CHF 98 million) Segments, whilst Manmade Fibers (-6.6 %, CHF 282 million) and Drive Systems (-11.8 %, CHF 172 million) Segments declined. The Coating Segment was stable at CHF 123 million. The decrease in Manmade Fibers resulted from normal phasing in project-driven businesses; the Drive Systems Segment was impacted by continued weakness in the infrastructure and construction sectors (heavy-duty off-highway equipment) and the energy market, particularly in the US.

## **Strong profitability with 12.6 % EBIT margin**

Despite challenging market conditions faced across the Group, the Oerlikon Group continued to improve its profitability in the course of the year. "Our prudent management of break-even sales led to a sequentially higher EBIT margin despite lower sales", said CEO Jürg Fedier. EBIT amounted to CHF 88 million in Q3 2013 and EBIT margin reached 12.6 % (Q2 2013: 12.4 %).

Q3 2013 performance resulted in a rolling 12-month Oerlikon Group ROCE of 17.3 % (Q3 2012: 17.3 %) compared to a ROCE of 16.5 % in H1 2013. The successful closing of the divestment of the Natural Fibers and Textile Components Business Units in July 2013 significantly increased the financial strength of the Oerlikon Group. The company reported net liquidity of CHF 963 million at the end of the third quarter.

## **Regional expansion and innovation continued**

The Group continued regional expansion and the roll-out of new technologies and products in Q3 2013. The Manmade Fibers Segment launched the next generation of the WINGS POY (Winding INtegrated Godet Solution for Pre-Oriented Yarn) which increases productivity by 20 %. The Drive Systems Segment presented its innovative 4SED (4 Speed Electric Drive) to customers throughout Europe. With a major order from the European nuclear industry the Vacuum Segment demonstrated its leading position in this discerning market. Oerlikon's Coating Segment continued its innovation lead with the new generation of BAL.IQ coatings. The Advanced Technologies Segment won significant orders for its improved CLUSTERLINE<sup>®</sup> equipment. Drive Systems broke ground on its third Indian plant in Sanand in the state of Gujarat, a hub for the automotive industry. The Coating Segment opened a new coating center in Oklahoma City, US, targeting the aerospace and energy sectors.

## **2013 outlook confirmed and specified**

Oerlikon confirms and, in terms of profitability, specifies its 2013 full-year guidance and expects:

- Order intake and sales around the previous year's level
- EBIT margin around 12 %

## Segment overview

### Manmade Fibers Segment

Key figures Manmade Fibers Segment as of September 30, 2013 (in CHF million)

	Q3 2013	Q3 2012	Δ	9M 2013	9M 2012	Δ
Order intake <sup>1</sup>	272	256	+6.3 %	812	805	+0.9 %
Order backlog <sup>1</sup>	566	631	-10.3 %	566	631	-10.3 %
Sales (to third parties) <sup>1</sup>	282	302	-6.6 %	845	845	0.0 %
EBIT <sup>1</sup>	46	44	+4.5 %	135	149	-9.4 %
EBIT margin <sup>1</sup>	16.5 %	14.8 %	-	16.0 %	17.8 %	-
EBIT (excl. one-time effect) <sup>1,2</sup>	46	44	+4.5 %	135	110	+22.7 %
EBIT margin (excl. one-time effect) <sup>1,2</sup>	16.5 %	14.8 %	-	16.0 %	13.0 %	-

<sup>1</sup> Continuing operations (Q3 2012/9M 2012 restated); <sup>2</sup> Sale of Arbon property in Q1 2012

Demand for Oerlikon's manmade fiber machinery continued in the third quarter of 2013 and reaffirmed the Segment's Best-in-Class position. Orders came in at CHF 272 million, an increase of 6.3 % compared to last year. Sales amounted to CHF 282 million, down 6.6 % from the prior-year level. The decrease in sales is the reflection of phasing and execution of large scale project business accrued under the percentage-of-completion (POC) accounting method.

Strong demand for Oerlikon Neumag's new S+ Bulked Continuous Fiber (BCF) carpet yarn machine drove sales in North America, which accounted for 15 % of the Segment sales. Asia, predominantly China, remained the Segment's primary market. Asian sales accounted for 74 % and China for 57 % of the total. Europe represented 9 % of the Segment sales.

Despite lower sales, EBIT in the third quarter grew to CHF 46 million, an increase of 4.5 % compared to the previous year, resulting in an increase of the EBIT margin in Q3 2013 to 16.5 % compared to 14.8 % last year. The strong underlying operational performance of the Segment compensated some of the negative synergies related to the divestment of the natural fibers businesses.

Oerlikon Barmag introduced the WINGS POY 1800, which delivers productivity increases of 20 % due to two additional bobbins in the winder.

## Drive Systems Segment

Key figures Drive Systems Segment as of September 30, 2013 (in CHF million)

	Q3 2013	Q3 2012	Δ	9M 2013	9M 2012	Δ
Order intake	186	165	+12.7 %	594	609	-2.5 %
Order backlog	160	163	-1.8 %	160	163	-1.8 %
Sales (to third parties)	172	195	-11.8 %	561	643	-12.8 %
EBIT	6	18	-66.7 %	17	57	-70.2 %
EBIT margin	3.4 %	9.3 %	-	3.0 %	8.9 %	-

Drive Systems Segment sales and profitability continued to be impacted by a challenging market environment in Q3 2013. Although resilience was evident in the agricultural market, continued weakness in the heavy construction, rail transportation and infrastructure markets in China and the US, coupled with high inventories, have had a significant impact on the Segment's customers. The Segment was also impacted by reduced equipment demand from the global mining and natural-gas industries in the US energy sector. Sales were down 11.8 % to CHF 172 million. Compared to the relatively low order intake in Q3 2012, bookings were up 12.7 % to CHF 186 million due to additional project-related orders from the energy market to be delivered to customers in 2014.

EBIT amounted to CHF 6 million in the third quarter, down year-on-year due to lower overall sales volume and disproportionately lower sales of the Segment's higher-margin products and services. Comprehensive mitigation actions have been implemented. However, lower volume as well as an unfavorable product mix resulted in a third quarter margin of 3.4 %.

Positive events in Q3 included the start of construction of a third Indian plant in Sanand in the state of Gujarat. The new 30-acre spanning plant will allow Drive Systems to deliver high-tech products and solutions at competitive cost by leveraging local talent for local markets in an area where most current and prospective customers are based. Additionally, the Segment presented its innovative 4SED (4 Speed Electric Drive) to customers in Europe. This new compact, lightweight transmission boasts increased efficiency, seamlessly smooth shifting and a scalable design making it suitable for a wide range of vehicle types.

## Vacuum Segment

Key figures Vacuum Segment as of September 30, 2013 (in CHF million)

	Q3 2013	Q3 2012	Δ	9M 2013	9M 2012	Δ
Order intake	102	93	+9.7 %	308	288	+6.9 %
Order backlog	85	74	+14.9 %	85	74	+14.9 %
Sales (to third parties)	98	92	+6.5 %	294	283	+3.9 %
EBIT	9	8	+12.5 %	32	32	0.0 %
EBIT margin	9.0 %	8.3 %	-	10.7 %	11.2 %	-

The third quarter was impacted by a challenging environment in the Vacuum Segment's end markets. Although the R&D, analytics and glass-coating markets performed well in Q3 2013, the process industry – the Segment's most important end market – was difficult and both the solar and semiconductor markets showed continued weakness.

Bookings for Q3 2013 were up 9.7 % to CHF 102 million due to penetration in the energy sector, which offset the aforementioned declines. The Segment generated sales of CHF 98 million, an

increase of 6.5 % from the prior-year's level due in part to an increase in market share generated by increased sales activities.

North America and Asia (i.e. China and South Korea) recorded solid volume demand and represented 15 % and 43 % of the Segment sales, respectively. Europe accounted for 41 % of the Segment sales.

Segment EBIT amounted to CHF 9 million, up 12.5 % from the previous year. The EBIT margin was 9.0 % in contrast to the prior-year figure of 8.3 %.

## Coating Segment

Key figures Coating Segment as of September 30, 2013 (in CHF million)

	Q3 2013	Q3 2012	Δ	9M 2013	9M 2012	Δ
Order intake	123	126	-2.4 %	374	379	-1.3 %
Order backlog	-	-	-	-	-	-
Sales (to third parties)	123	126	-2.4 %	374	379	-1.3 %
EBIT	25	25	0.0 %	76	79	-3.8 %
EBIT margin	20.4 %	20.0 %	-	20.2 %	20.7 %	-

The Coating Segment continued its stable performance and operated at Best-in-Class level with an EBIT of CHF 25 million and an EBIT margin of 20.4 % (Q3 2012: 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 123 million. Coating Services showed ongoing growth in local currencies (Q3 2013: +5 %), but project-driven equipment sales and the development of foreign exchange rates slightly impacted reported total sales.

Coating Services posted growth due to rising demand in the global automotive industry especially in the US 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.

Q3 2013 sales for Coating Services (excluding equipment sales) grew in Asia by 7 % year-on-year in local currencies; Europe grew by 1 % and North America by 8 %. In terms of total sales to third parties (Coating Services including equipment sales) Europe accounted for 49 %, Asia for 29 % and North America for 14 %.

In Q3 2013, the Coating Segment achieved a major innovation milestone with the launch of the new coating family BAL.IQ, which is based on the revolutionary S3p process technology (S3p stands for Scalable Pulsed Power Plasma) that was introduced two years ago. BAL.IQ enables customers to significantly boost productivity, process reliability and lower costs. The life-time of tools for micro-drilling can be extended by over 30 times.

The Segment opened a coating center in Oklahoma City, US – the 92nd center worldwide. With the opening of the new facility the Coating Segment will target the aerospace and oil and gas industries. Customers will benefit from high-performance coating options for landing gear, aircraft-seat tracks, engine components, amongst others. The Segment also continued to expand its integrated service offering by launching tool regrinding services "rox" (e.g. drills, mills): customers now have a one-stop-shopping solution for the reconditioning of cutting tools.

## Advanced Technologies Segment

Key figures Advanced Technologies Segment as of September 30, 2013 (in CHF million)

	Q3 2013	Q3 2012	Δ	9M 2013	9M 2012	Δ
Order intake	29	28	+3.6 %	100	88	+13.6 %
Order backlog	58	33	+75.8 %	58	33	+75.8 %
Sales (to third parties)	22	20	+10.0 %	66	62	+6.5 %
EBIT	-1	-1	0.0 %	-4	-3	-33.3 %
EBIT margin	n/a	n/a	-	n/a	n/a	-

The Advanced Technologies Segment reported sales growth of 10 % to CHF 22 million due to strong demand for power semiconductors and expanding markets for touch panels. The semiconductor markets remained soft; a full recovery is not expected until 2014. Order intake grew somewhat by 3.6 % to CHF 29 million. The book-to-bill ratio of 1.3 is signaling future sales growth. With an EBIT of CHF -1 million the Segment was close to break even and on the same level as a year ago.

Asia represented 59 % of Segment sales and reported an increase of 18 % compared to last year's performance. The business in Europe accounted for 36 % of sales, stable compared to the period under review. North America represented the remaining 5 % of sales.

The Advanced Technologies Segment won significant orders for its CLUSTERLINE® equipment from an European semiconductor manufacturer to produce power semiconductors. As the first supplier Advanced Technologies offers machines that can handle ultra-thin 300 mm wafers for backside metallization of power devices instead of the common 200 mm which gives the customer a significant productivity gain.

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**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, coating 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 around 160 locations in 34 countries and sales of CHF 2.9 billion in 2012. The Company invested in 2012 CHF 106 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.

**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:

Switzerland	+41 43 547 80 01
Germany	+49 69 2222 34066
UK	+44 20 3450 9571
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Confirmation Code	5530564

The accompanying presentation can be viewed in parallel by opening the following link:  
<http://webmeeting.adobeconnect.com/e5530564>. Please sign in as a guest.

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)

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