

## Second quarter / half-year 2014 results

## Oerlikon concluded a further strategic milestone, delivered strong sales growth and solid profitability

- Successful closing of Metco transaction ahead of schedule – a strategic step for Oerlikon’s portfolio towards profitable growth
- Strong sales growth of 12.1 % and order intake up 4.5 % in Q2 2014
- Tenth consecutive quarter with EBITDA margin exceeding 15 % and double-digit EBIT margin
- 16.1 % EBITDA margin and 11.3 % EBIT margin impacted by acquisition accounting effects and one-off transaction costs related to Metco transaction
- Successful placement of CHF 450 million senior unsecured bonds with five and ten years maturity
- Outlook for full-year 2014 confirmed

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

	Q2 2014 <sup>1</sup>	Q2 2013	Δ	H1 2014 <sup>1</sup>	H1 2013	Δ
Order intake	745	713	+4.5 %	1 442	1 476	-2.3 %
Order backlog	799	888	-10.0 %	799	888	-10.0 %
Sales	807	720	+12.1 %	1 527	1 443	+5.8 %
EBITDA	130	121	+7.4 %	250	239	+4.6 %
EBITDA margin	16.1 %	16.8 %	-	16.4 %	16.5 %	-
EBIT	91	89	+2.2 %	178	174	+2.3 %
EBIT margin	11.3 %	12.4 %	-	11.7 %	12.1 %	-
Result from continuing operations <sup>2</sup>	-	-	-	123	109	+12.8 %
ROCE (rolling 12-months)	11.2 %	16.5 %	-	11.2 %	16.5 %	-

<sup>1</sup> Metco consolidated for 1 month; <sup>2</sup> Only reported annually and semi-annually.

**Pfäffikon SZ, Switzerland – August 5, 2014 –** In the second quarter of 2014, including the first-time consolidation of Metco for the month of June, Oerlikon delivered a strong growth in sales and attractive order intake as well as a sustained solid profitability despite one-time costs from M&A. The successful closing of the Metco acquisition marked an important strategic milestone for the Oerlikon Group. For the three-month period ended June 30, 2014, the Oerlikon Group reported sales growth of 12.1 % to CHF 807 million. At stable exchange rates sales growth was even stronger at 15.8 % (CHF 834 million) compared to CHF 720 million reported in Q2 2013. Order intake improvement was driven by the Surface Solutions Segment compensating the expected normalization in the Manmade Fibers market and delay in larger-scale projects in Vacuum applications in the Asian coating markets. EBITDA increased slightly to CHF 130 million from CHF 121 million in Q2 2013, resulting in an EBITDA margin of 16.1 % (Q2 2013: 16.8 %). EBIT increased to CHF 91 million (EBIT margin of 11.3 %). Both figures were impacted by transaction/integration costs as well as acquisition accounting effects. Oerlikon

**CEO Dr. Brice Koch said: “We concluded a major strategic step to further strengthen and develop our portfolio, continuing the Group’s value creation path. We delivered organic and inorganic sales growth and were able to report for the tenth consecutive quarter a double-digit EBIT margin, even against one-time transaction costs which occurred in Q2 and accounting effects from the Metco acquisition, positioning Oerlikon well among leading industrial peers. The strong demand for our five- and ten-year Bonds issued in June clearly demonstrated the established confidence of the financial markets in the potential of the long-term underlying performance of Oerlikon.”**

### **Successful closing of strategic Metco transaction ahead of schedule**

In the second quarter Oerlikon closed the acquisition of Metco ahead of schedule. This strategic transaction created a global technology leader in surface solutions and further aligns Oerlikon’s portfolio towards profitable growth. The new Surface Solutions Segment will represent the Group’s largest Segment and includes the two brands of the existing Oerlikon Balzers and the new Oerlikon Metco. The combined businesses had pro forma sales of CHF 1.2 billion in 2013 and operate some 130 facilities with over 110 coating centers in 35 countries around the world, employing around 6 000 people. Oerlikon CEO Dr. Brice Koch said: “We are convinced that the Surface Solutions Segment offers important growth potential, significantly outperforming global GDP and exceeding growth rates of underlying markets. In addition to the integration of the two businesses the key priority is to unfold the top-line opportunities.”

### **Group sales and order intake growth**

Q2 Group sales came in 12.1 % higher at CHF 807 million compared to CHF 720 million a year ago, growing at stable currency even higher by 15.8 %. On an organic basis, Group sales grew by 3.5 % to CHF 745 million. Sales grew in the Surface Solutions (+59.8 % to CHF 203 million including CHF 62 million sales of Oerlikon Metco for one month), Manmade Fibers (+7.0 % to CHF 274 million) and Drive Systems (+3.5 % to CHF 208 million) Segments. Vacuum and Advanced Technologies Segment sales declined due to challenging market environments and phasing of projects.

Q2 2014 Group order intake grew by 4.5 % to CHF 745 million compared to CHF 713 million in Q2 2013. The strong organic and inorganic improvement of 59.8 % in the Surface Solutions Segment compensated the expected normalization in the Manmade Fibers Segment and weakness in the Vacuum and Advanced Technologies Segments.

### **Sustainable profitability with 16.1 % EBITDA margin and 11.3 % EBIT margin**

Despite significant absorption of one-time costs and accounting effects from the Metco acquisition, Oerlikon continued to deliver sustainable profitability in the second quarter of 2014. EBITDA increased by 7.4 % to CHF 130 million compared to CHF 121 million a year ago. EBITDA margin was 16.1 % compared to 16.8 % in Q2 2013. EBIT came in at CHF 91 million, 2.2 % above the figure of Q2 2013; the corresponding EBIT margin was 11.3 % compared to 12.4 % a year ago. The Oerlikon Group reported for the tenth consecutive quarter a double-digit EBIT margin and an EBITDA margin above 15 %. H1 2014 performance resulted in a rolling 12-month Oerlikon Group ROCE of 11.2 % compared to 16.5 % a year ago which is a result of an increased asset base due to the acquisition of Metco with only one month of Metco profitability being recognized in NOPAT. In the first six months of 2014, the result from continuing operations increased by 12.8 % to CHF 123 million from CHF 109 million and net profit amounted to CHF 122 million (H1 2013: CHF 146 million including CHF 37 million from discontinued operations).

## **Strong financial position and successful extension of maturity profile**

As at the reporting date, the Oerlikon Group had equity (attributable to shareholders of the parent) of CHF 2 129 million, representing an equity ratio of 43 %. Net cash amounted to CHF 2 million (December 31, 2013: net cash of CHF 981 million) driven by the disciplined use of balance sheet cash to finance the Metco transaction.

Oerlikon took advantage of the current favorable debt market conditions and placed senior unsecured bonds of CHF 450 million due 2019 and 2024, respectively. In addition, the Group prolonged its syndicated credit facility until 2016. With these measures Oerlikon successfully extended its maturity profile and increased the Group's financial flexibility. CEO Dr. Brice Koch commented: "Oerlikon has full access to the capital markets. Our strong financial foundation allows us to develop our portfolio along our strategic agenda of long-term profitable growth."

## **Continued sustainable investments in R&D**

Investments in research and development (R&D) remained a priority to maintain and expand Oerlikon's leading technology positions. In the first six months, R&D expenditures increased by 10 % to CHF 64 million from CHF 58 million a year ago. Oerlikon invests around 4 % of its revenues in products and services of the future. Innovation included the global roll out of the new pump generation TURBOVAC i/iX in the Vacuum Segment, increasing customer efficiency by allowing higher pump speed and the introduction of the WINGS POY 1800 and WINGS PA HOY in Asia at the ITMA trade show in the Manmade Fibers Segment, which reduces energy consumption and increases productivity of Oerlikon customers.

## **2014 outlook confirmed**

Oerlikon's confirmed guidance reflects a consolidation of Metco for seven months in the fiscal year 2014 and the full absorption of transaction/integration costs as well as acquisition accounting effects. Compared to 2013 reported figures Oerlikon continues to expect the following key metrics for the fiscal year 2014:

- Order intake growth to exceed 10 %
- Sales growth to exceed 15 %
- EBIT margin to be around 10 %
- EBITDA margin to be around 15 %

## Segment overview

### Manmade Fibers Segment

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

	Q2 2014	Q2 2013	Δ	H1 2014	H1 2013	Δ
Order intake	228	250	-8.8 %	468	540	-13.3 %
Order backlog	416	599	-30.6 %	416	599	-30.6 %
Sales (to third parties)	274	256	+7.0 %	570	563	+1.2 %
EBITDA	58	45	+28.9 %	123	98	+25.5 %
EBITDA margin	21.0 %	17.4 %	-	21.5 %	17.4 %	-
EBIT	53	40	+32.5 %	113	89	+27.0 %
EBIT margin	19.3 %	15.5 %	-	19.9 %	15.7 %	-

In the second quarter 2014 the Manmade Fibers Segment reported sales growth of 7.0 % to CHF 274 million from CHF 256 million in the previous year based on a strong order backlog at an ongoing high profitability level. The expected normalization in the order intake pattern resulted in orders of CHF 228 million, compromising a drop of -8.8 % from CHF 250 million in the second quarter of 2013.

EBITDA amounted to CHF 58 million, corresponding to an EBITDA margin of 21.0 % (Q2 2013: 17.4 %). The increase mainly came from a favorable product mix with ongoing high demand for production lines for carpet yarn (BCF) and variabilization of costs. EBIT grew 32.5 % to CHF 53 million, translating into an EBIT margin of 19.3 %. This compares to an EBIT of CHF 40 million and an EBIT margin of 15.5 % in Q2 2013.

At this year's ITMA Asia, the most important exhibition for the manmade fibers equipment sector, Oerlikon Barmag introduced the new winding machine WINGS POY 1800 to the Asian markets. The yarn winder increases productivity by 20 %, accommodating twelve bobbins instead of the previous ten bobbins on the same production area compared with its predecessor. To meet the special requirements of economical nylon HOY production, the new winding-on concept of WINGS PA HOY has also been developed, which offers all the advantages of the pioneering WINGS POY technology. Oerlikon Neumag introduced for the first time in China the new staple fiber plant Staple FORCE S 1000. The small design with its compact construction and throughput of up to 15 tons per day enables flexibility in production allowing faster product color changes with considerably lower waste. Strong customer interest and intensive dialogue with key customers at ITMA confirmed Oerlikon's leading technology position and ongoing demand for high end-solutions increasing our customers' energy efficiency and productivity.

## Drive Systems Segment

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

	Q2 2014	Q2 2013	Δ	H1 2014	H1 2013	Δ
Order intake	205	205	0.0 %	414	408	+1.5 %
Order backlog	191	152	+25.7 %	191	152	+25.7 %
Sales (to third parties)	208	201	+3.5 %	402	389	+3.3 %
EBITDA	23	19	+21.1 %	42	34	+23.5 %
EBITDA margin	11.2 %	9.4 %	-	10.5 %	8.6 %	-
EBIT	12	8	+50.0 %	20	11	+81.8 %
EBIT margin	5.6 %	3.8 %	-	4.9 %	2.8 %	-

Market headwinds for the Drive Systems Segment remained strong in the second quarter of 2014. Despite the difficult market environment, the Segment was able to improve all relevant key figures. While orders stabilized (Q2 2014: CHF 205 million), sales increased from CHF 201 million in Q2 2013 to CHF 208 million in Q2 2014, up by 3.5 % (+6.5 % at stable currencies). A slight recovery in the US construction industry and execution of orders in the energy sector drove sales growth, partially offset by a softening in the European agriculture business and the ongoing weakness in the global mining equipment demand.

As a result of the ongoing cost-saving measures, EBITDA grew to CHF 23 million from CHF 19 million in Q2 2013, corresponding to an EBITDA margin of 11.2 % compared to 9.4 % a year ago. EBIT grew by 50 % from CHF 8 million last year to CHF 12 million in Q2 2014, while EBIT margin improved from 3.8 % to 5.6 %. The Segment continues with its strict cost-saving measures to further increase profitability and aims for a margin profile higher than its cost of capital.

## Vacuum Segment

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

	Q2 2014	Q2 2013	Δ	H1 2014	H1 2013	Δ
Order intake	88	101	-12.9 %	193	206	-6.3 %
Order backlog	79	85	-7.1 %	79	85	-7.1 %
Sales (to third parties)	96	102	-5.9 %	192	196	-2.0 %
EBITDA	11	15	-26.7 %	19	29	-34.5 %
EBITDA margin	11.1 %	14.9 %	-	9.7 %	14.9 %	-
EBIT	7	12	-41.7 %	12	23	-47.8 %
EBIT margin	7.6 %	11.7 %	-	6.2 %	11.5 %	-

The performance of the Vacuum Segment was impacted by a challenging market environment. While the general process industry remained stable and the solar market showed some first signs of recovery, postponements in the investment in larger-scale projects in analytical and glass-coating applications caused overall weaker demand. Orders in the second quarter declined by 12.9 % to CHF 88 million while sales declined to CHF 96 million, down 5.9 % year-on-year.

EBITDA amounted to CHF 11 million, corresponding to an EBITDA margin of 11.1 % (Q2 2013: CHF 15 million, margin of 14.9 %). EBIT amounted to CHF 7 million (Q2 2013: CHF 12 million). The comprehensive restructuring measures and future-oriented investments initiated in Q1 2014 helped to sequentially improve EBIT margin from 4.8 % in Q1 2014 to 7.6 % in Q2 2014 (Q2 2013: 11.7 %).

The Vacuum Segment continued the worldwide introduction of its new pump generation TURBOVAC i/iX which 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. The new pump is especially designed for applications in the analytics, R&D and process industry.

The Segment accelerated its operational excellence initiatives as well as structural modifications to its sales and service network to address the challenges ahead and prepare for a potential recovery of some end markets.

## Surface Solutions Segment

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

	Q2 2014 <sup>1</sup>	Q2 2013	Δ	H1 2014 <sup>1</sup>	H1 2013	Δ
Order intake	203	127	+59.8 %	327	251	+30.3 %
Order backlog	86	-	-	86	-	-
Sales (to third parties)	203	127	+59.8 %	328	251	+30.7 %
EBITDA	26	36	-27.8 %	62	73	-15.1 %
EBITDA margin	12.6 %	29.1 %	-	18.8 %	29.1 %	-
EBIT	9	26	-65.4 %	33	51	-35.3 %
EBIT margin	4.2 %	20.1 %	-	10.1 %	20.0 %	-

<sup>1</sup> Metco consolidated for 1 month

With the acquisition of Metco (transaction closed on June 2, 2014) the former Coating Segment was renamed as the Surface Solutions Segment. The Segment now includes the existing Oerlikon Balzers and the new Oerlikon Metco brands. Due to the complementarity of the businesses, Metco offers Oerlikon an attractive growth platform in the area of surface solutions by leveraging Oerlikon Balzers' expertise in the service business and its global network as well as Oerlikon Metco's market access. Metco was consolidated for one month in the Q2/H1 2014 accounts.

Order intake and sales increased strongly to CHF 203 million in Q2 2014. The increase of 59.8 % was mainly due to the acquisition of Metco but also to attractive underlying organic growth. Coating services of Oerlikon Balzers showed strong growth driven by the automotive and tooling industry in Europe, Asia and the US. Oerlikon Metco reported increased demand in the aviation industry and growth in the power generation and oil & gas investments.

EBITDA amounted to CHF 26 million, resulting in an EBITDA margin of 12.6 % (Q2 2013: CHF 36 million; margin of 29.1 %). EBIT totaled CHF 9 million with an EBIT margin of 4.2 %. Both EBITDA and EBIT were impacted by transaction and integration costs as well as non-cash items such as gross margin effect from inventory step-up and the amortization of acquired identifiable intangible assets in relation to Metco.

The integration of Metco is proceeding according to plan. The Surface Solutions Segment expects to create further value by continuing to outperform underlying market growth through market development, increase of service business, market shares and development of new multilayer surface solutions.

## Advanced Technologies Segment

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

	Q2 2014	Q2 2013	Δ	H1 2014	H1 2013	Δ
Order intake	21	30	-30.0 %	40	71	-43.7 %
Order backlog	27	52	-48.1 %	27	52	-48.1 %
Sales (to third parties)	26	34	-23.5 %	35	44	-20.5 %
EBITDA	-1	4	>-100 %	-6	-1	>-100 %
EBITDA margin	n/a	10.0 %	-	n/a	n/a	-
EBIT	-2	3	>-100 %	-8	-3	>-100 %
EBIT margin	n/a	7.3 %	-	n/a	n/a	-

The Advanced Technologies Segment reported an order intake of CHF 21 million, 30 % less than in Q2 2013. Sales amounted to CHF 26 million, a decrease of 23.5 % year-on-year. The decrease was mainly due to phasing of projects in the semiconductor equipment industry, which still reports a positive sentiment going forward, especially in advanced packaging, MEMS and power devices. In addition, the Segment was exposed to a further postponement of investment decisions in the advanced nanotechnology markets.

EBITDA was slightly negative at CHF -1 million (Q2 2013: CHF 4 million). EBIT was CHF -2 million (Q2 2013: CHF 3 million). On a sequential basis, EBITDA and EBIT, however, improved due to the higher sales volume.

Oerlikon Systems has been voted a “Best Supplier” in the 2014 VLSIresearch annual customer survey, a semiconductor industry benchmark. Oerlikon Systems won awards in the categories “10 BEST for Focused Suppliers of Chip Making Equipment” and “THE BEST Suppliers of Fab Equipment” and finished 1st in the category “Deposition Equipment.”

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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:

Country	Toll-Free	Toll-Local
Switzerland	0800 001 874	+41 225 802 991
Germany	0800 80 50 122	+49 69 20 17 44 209
UK	0800 279 9498	+44 203 043 2461
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The accompanying presentation can be viewed in parallel by opening the following link:

<http://event.mescdn.com/oerlikon/webcast-20140805>

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 15 500 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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