

Third quarter 2019 results

## Third quarter performance reflecting challenging market developments

- Group Q3 order intake decreased by 4.3% year-over-year
- Group Q3 sales decreased by 7.9% year-over-year
- Resilient Q3 sales in Surface Solutions Segment despite challenging market environment; reported sales down by 1.1%; organic sales flat
- Surface Solutions Segment operating profitability impacted by mix and higher operating costs related to investments in innovation and structural growth
- Manmade Fibers Segment increased Q3 order intake by 6.2%; sales decreased by 15.9% compared to record high sales in Q3 2018; double-digit EBITDA margin delivered
- Supported by a healthy order pipeline, guidance for 2019 unchanged
- Launching share buyback up to a maximum of 10% of the share capital

Key figures for the Oerlikon Group as of September 30, 2019 (in CHF million)

	Q3 2019	Q3 2018	Δ	9M 2019	9M 2018	Δ
Order intake	627	655	-4.3%	1 979	2 090	-5.3%
Order backlog	600	633	-5.2%	600	633	-5.2%
Sales	633	687	-7.9%	1 958	1 956	0.1%
EBITDA	84	103	-18.4%	299	311	-3.9%
EBITDA margin	13.3%	15.0%	–	15.3%	15.9%	–
EBIT	36	62	-41.9%	151	190	-20.5%
EBIT margin	5.7%	9.0%	–	7.7%	9.7%	–
ROCE (rolling 12-month)	8.3%	11.7%	–	8.3%	11.7%	–

Pfäffikon, Schwyz, Switzerland – November 5, 2019 –

“In this challenging market environment, our third quarter performance was broadly in line with our expectations,” said Dr. Roland Fischer, CEO, Oerlikon Group. “Across markets, many of our customers have been taking a wait-and-see approach with regard to new investments.”

“Looking ahead to the rest of the year, we have a healthy order pipeline, have been nominated as a supplier for a number of new contracts in automotive and are seeing positive signs for newer technologies such as ePD. We are currently assuming no further deterioration in the market environment and are leaving our guidance for 2019 unchanged,” added Dr. Fischer. “We are initiating a share buyback program of up to 10% of our share capital, while remaining fully committed to our group’s strategy of investing in organic and non-organic growth.”

## Group performance in Q3 2019

Geopolitical uncertainties are delaying investments in capital goods, production and consumption. The impacts of these delays were noted in almost all business fields, in particular in automotive, tooling and power generation in China, India and Europe.

Group order intake declined by 4.3% to CHF 627 million as a result of lower order intake in the Surface Solutions Segment, while the Manmade Fibers Segment was able to grow orders year-over-year. Group sales decreased by 7.9% to CHF 633 million, driven primarily by lower sales in the Manmade Fibers Segment. At constant exchange rates, Group sales were CHF 650 million.

Group EBITDA of CHF 84 million was 18.4% lower year-over-year and the margin was 13.3% (Q3 2018: CHF 103 million, 15.0%). EBIT for Q3 2019 was CHF 36 million, or 5.7% of sales (Q3 2018: CHF 62 million, 9.0%). Margins were adversely impacted primarily by product and regional mix and by higher operating costs related to investments in innovation and structural growth.

The third quarter performance resulted in a rolling 12-month Oerlikon Group return on capital employed (ROCE) of 8.3% (2018 reported: 11.7%), attributed to lower net operating profit after tax over an increased asset base. In the third quarter, service revenues contributed to 38.4% of total Group sales (Q3 2018: 35.7%).

## 2019 outlook unchanged

For the fourth quarter, Oerlikon expects its strong order backlog and pipeline to support sales and to benefit from cost saving initiatives that have been implemented throughout the year. Based on current visibility, Oerlikon assumes that there will be no further deterioration in the markets and is leaving its guidance for the full year of 2019 unchanged. Group order intake is anticipated to reach up to CHF 2.7 billion, sales are to exceed CHF 2.6 billion and EBITDA margin is to be around 15.5%.

## Share buyback program

Oerlikon's Board of Directors has decided to initiate a share buyback program. Over a period of up to 36 months, shares amounting to a maximum of 10% of the share capital recorded in the commercial register are expected to be repurchased in the open market over the ordinary trading line on the SIX Swiss Exchange. The effective size of the buyback program depends on, among other things, the number of treasury shares held and the market situation. Based on the closing share price on November 4, 2019, the total value of the shares to be bought back is expected to be up to CHF 350 million. The share buyback program will be executed in cooperation with the Zürcher Kantonalbank and is expected to start on November 7, 2019. Oerlikon intends to utilize the repurchased securities to finance potential inorganic growth and to fund its global long-term employee incentive program.

## Segment overview

### Surface Solutions Segment

Key figures for the Surface Solutions Segment as of September 30, 2019 (in CHF million)

	Q3 2019	Q3 2018	Δ	9M 2019	9M 2018	Δ
Order intake	350	395	-11.4%	1 109	1 174	-5.5%
Order backlog	182	177	2.8%	182	177	2.8%
Sales (to third parties)	369	373	-1.1%	1 119	1 128	-0.8%
EBITDA	55	69	-20.3%	180	218	-17.4%
EBITDA margin	15.0%	18.3%		16.0%	19.2%	

Order intake decreased by 11.4% year-over-year. The delay in orders was noted in almost all of the segment's markets, particularly in automotive, tooling and power generation. Sales declined by 1.1% year-over-year, driven by China and Europe, but were partially compensated by higher sales in

aerospace in the U.S. At constant exchange rates and excluding contributions from M&A and material surcharges, the segment's organic sales were flat year-over-year.

The EBITDA margin of 15.0% was 330 basis points lower year-over-year. EBIT for Q3 2019 was CHF 15 million (Q3 2018: CHF 34 million) or 4.1% of sales (Q3 2018: 9.2%). The decline in EBITDA was mainly attributed to higher operating costs from investments in competence centers (CVD, ePD, oil&gas) and additive manufacturing, as well as supply chain and inventory issues in the materials business. The operational excellence, restructuring and cost saving measures (e.g. short-time work), and positive inventory valuations are expected to positively impact margins from the fourth quarter onwards.

In the third quarter, Oerlikon acquired AMT AG in Switzerland to extend its product and service offerings for thermal applications and turnkey solutions. Two new digital services for customers were launched. The online platform, myBalzers, enables Oerlikon Balzers' customers to easily track orders on a real-time basis and access documentation such as invoices and certifications. Combined with this platform is a pick-up app, enabling paperless door-to-door tracking and delivery confirmations.

Four new technology solutions were introduced in the third quarter. BALIQ CARBOS and BALIQ CARBOS STAR are new amorphous hydrogen-free carbon (a-C) coatings that offer a combination of high hardness, low friction and low roughness for applications with extreme contact pressures and sliding velocities, such as for components in high-performance motorsport vehicles. BALIQ AUROS is developed to boost the performance and improve process stability of tapping tools. INNOVENTA kila, the successor to INNOVA, offers the flexibility to coat large or small quantities of tools and components.

## Manmade Fibers Segment

Key figures for the Manmade Fibers Segment as of September 30, 2019 (in CHF million)

	Q3 2019	Q3 2018	Δ	9M 2019	9M 2018	Δ
Order intake	276	260	6.2%	870	916	-5.0%
Order backlog	419	456	-8.1%	419	456	-8.1%
Sales (to third parties)	265	314	-15.6%	839	828	1.3%
EBITDA	28	36	-22.2%	119	95	25.3%
EBITDA margin	10.7%	11.5%		14.2%	11.5%	

The Manmade Fibers Segment increased order intake by 6.2% year-over-year, driven by higher demand in filament equipment and systems, particularly in China, compensating for the decline in carpet yarn and staple fibers equipment. A high level of order intake (> CHF 200 million) has been sustained for the eighth consecutive quarter. Segment sales were 15.6% lower year-over-year, driven by declines in all regions except Europe, but are to be relativized due to the record sales in the third quarter of 2018.

In line with guidance, the segment delivered a double-digit EBITDA margin of 10.7%, mainly attributed to recognizing a number of lower-margin projects from the prior downcycle period. EBIT for Q3 2019 was CHF 22 million (Q3 2018: CHF 30 million), or 8.4% of sales (Q3 2018: 9.5%).

## Additional information

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

Country	Local toll call numbers:
Switzerland	+41 58 310 50 00
UK	+44 207 107 06 13
USA	+1 631 570 56 13

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](http://www.oerlikon.com/pressreleases) and [www.oerlikon.com/ir](http://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 two Segments – Surface Solutions and Manmade Fibers – and has a global footprint of more than 10 500 employees at 175 locations in 37 countries. In 2018, Oerlikon generated CHF 2.6 billion in sales and invested around CHF 120 million in R&D.

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