

Successful closing of transaction ahead of schedule

Oerlikon sets out for growth path with new Surface Solutions Segment

- Oerlikon Balzers and Oerlikon Metco to form Oerlikon's Surface Solutions Segment
- Surface Solutions becomes largest Segment of the Oerlikon Group
- Complementary technologies, market accesses and business models offer future profitable growth potential
- Strong management team to ensure successful integration
- Consolidation of Metco in Oerlikon's Surface Solutions Segment as of June 1, 2014
- Update on guidance for Oerlikon Group for FY 2014

Pfäffikon SZ, Switzerland – June 3, 2014 – Oerlikon today announces the successful closing of the transaction to acquire Metco from Sulzer AG ahead of schedule. Oerlikon announced on January 31, 2014 an agreement to acquire Metco for an Enterprise Value of CHF 1.0 billion. After having received all required merger control approvals, the parties were able to close the transaction already on June 2, 2014. A combination of Metco with Oerlikon's existing Coating business will create a global technology leader in surface solutions under the leadership of Roland Herb as Surface Solutions Segment CEO. "By forming a world class technology leader for surface solutions, Oerlikon sets out for a long term profitable growth path. We are aware it needs hard and consistent work to realize the value of this transaction. Already in 2015, we will start to see first positive impacts, the full value will become visible from 2016 onwards", says Oerlikon CEO Brice Koch. After closing, Oerlikon consequently updates the guidance for the fiscal year 2014. Including a consolidation of Metco for seven months, the Group expects compared to 2013 order intake and sales to grow exceeding 10 % and 15 %, respectively. EBIT margin for the Group is expected at around 10 % and EBITDA margin at around 15 % including full absorption of all related transaction/integration costs and accounting effects.

The Surface Solutions Segment has pro-forma sales of CHF 1.2 billion in 2013, becoming the largest Segment of the Oerlikon Group representing 34 % of pro-forma Group sales. The Segment has an outstanding global footprint and a unique technology, product and service offering. Oerlikon Balzers is the global technology leader in the service-driven PVD Thin Film business (PVD: Physical Vapor Deposition). Oerlikon Metco is the global technology leader in the Thermal Spray and surface applications business. The combination will expand Oerlikon's addressable growth market in surface solutions to some CHF 9 billion. The two businesses are complementary in terms of their technological strengths, business models, market access and geographical footprint, enabling them to increasingly meet customer requirements in the years to come. The combined businesses will operate some 130 facilities with over 110 coating centers in 35 countries around the world, employing around 6 000 people.

"The combination of Oerlikon Balzers and Oerlikon Metco under one umbrella is a perfect fit of technologies, business models and market access for the benefit of our customers. For the Oerlikon

Group this transaction marks a major step to grow the business after a strong phase of portfolio shaping”, Brice Koch adds.

Customer access, broad industry coverage, complementary business models

- Oerlikon Balzers' fast-growing components business will build on Oerlikon Metco's strong application know-how where customers require a tailored solution for specific applications.
- The acquisition will also deepen access in new end markets such as aerospace, defense, power generation, oil & gas, and accelerates growth outside the traditional precision tooling and automotive sectors.
- Oerlikon Metco will access Oerlikon Balzers' well-established and highly successful service approach to further grow the Thermal Spray service business.
- Oerlikon Balzers' proven ability to replicate successful market penetration is a key enabler for acceleration of the Thermal Spray and Plasma Nitriding services and rapid geographic expansion – especially in emerging markets.

Oerlikon is convinced that the combination provides substantial growth potential, significantly outperforming global GDP by exceeding growth rates of underlying markets. In addition to the integration of the two businesses the key priority is to unfold the mentioned top-line opportunities. This is a multi-year agenda as for example qualification processes in industries like aviation or automotive normally take years and changing a business model towards service business requires some time.

New Management team and organizational structure

Oerlikon's new Surface Solutions Segment includes the two brands of the existing Oerlikon Balzers and the new Oerlikon Metco. The Surface Solutions Segment will be headquartered in Balzers, Liechtenstein. Research & Development activities will be focused in Liechtenstein and Switzerland to maintain and further accelerate the position of the region as leading location for the global surface solutions industry.

The Surface Solutions Segment will be under the leadership of Roland Herb as Segment CEO. Roland Herb started his career at Oerlikon Balzers in 1997 and has a proven track record in managing global businesses including M&A and integration projects, since 2006 responsible for about 80 % of the Oerlikon Balzers business. Hans Brändle decided for personal reasons to pursue other opportunities but will remain in an advising role until mid 2015. Roland Herb will replace Hans Brändle in the Executive Committee of the Oerlikon Group with immediate effect. “Hans Brändle has put a great deal of himself into the success of Oerlikon Balzers and was a key driver of the Metco acquisition. I appreciated his dedication and commitment to the business and I wish him all the best for the future, both professionally and personally”, says Brice Koch. “After 22 years at Oerlikon with the last nine years at the helm of the Coating Segment and after the successful closing of the Metco acquisition, this is a perfect time for me personally to hand over the CEO responsibility. I fully trust in Roland Herb and the strong joint Management team of the Surface Solutions Segment and I continue to ensure a smooth transition”, says Hans Brändle.

The Oerlikon Balzers Business Unit will be headed by Bernd Fischer, having joined Oerlikon in 2011. Thomas Gutzwiller, who held several management positions at Sulzer and who is for 14 years with Metco, will lead the Oerlikon Metco Business Unit. Brice Koch adds: “I am pleased that we were able to fill the positions with experienced internal managers allowing for continuity in the team and towards our customers”.

“To maintain the high level of service to the Oerlikon Balzers and Oerlikon Metco customers is our top priority. We look forward to share our experience and knowledge across the teams and technologies to create new surface solutions for our customers”, says Roland Herb, CEO of the Surface Solutions Segment.

Guidance update for fiscal year 2014

The successful closing of the transaction allows to consolidate Metco for seven months in the fiscal year 2014. Including full absorption of transaction/integration costs as well as accounting effects triggered through the integration and consolidation of Metco and confirming the latest guidance given for the Group pre-closing, Oerlikon expects compared to 2013 reported figures the following key metrics for the fiscal year 2014 based on stable currencies:

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

In order to reflect the underlying operational business activities and neutralizing non-cash accounting entries, primarily related to the amortization of the acquired identified intangible assets, Oerlikon will shift its focus from EBIT to EBITDA reporting in the future.

Financing of transaction and financial flexibility for further steps

The acquisition is financed via a combination of balance sheet cash (80 %) and existing committed undrawn credit facilities (20 %). Post transaction Oerlikon will record a net debt position of around CHF 100 million. At a net debt/EBITDA ratio of 0.2 the balance sheet provides substantial flexibility to further invest in long-term profitable growth opportunities.

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Additional information

Oerlikon will host a media conference in English today starting at 11.00 a.m. CEST in the Zurich Marriott Hotel, Neumühlequai 42, 8006 Zürich. An analyst conference call is scheduled 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-20140603>

* including full absorption of all related transaction/integration costs and accounting effects (Metco transaction)

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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, 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), 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.

About the Surface Solutions Segment

The Oerlikon Surface Solutions Segment includes the two brands Oerlikon Balzers and Oerlikon Metco. Oerlikon Balzers is one of the world's leading suppliers of surface technologies that significantly improve the performance and durability of precision components as well as tools for the metal and plastics processing industries. These coatings are extremely thin and exceptionally hard. They significantly reduce friction and wear. Under the technology brand ePD, the company develops integrated services and solutions for the metallization of plastic parts with chrome effects. Oerlikon Metco enhances surfaces with coating solutions and equipment. Customers benefit from a uniquely broad range of surface technologies, coating solutions, equipment, materials, services, and specialized machining services and components. The innovative solutions improve performance and increase efficiency and reliability. Oerlikon Metco serves industries such as power generation, aviation, automotive, and other specialized markets. The Surface Solutions Segment operates a dynamically growing network of currently over 130 facilities with over 110 coating centers in 35 countries in Europe, the Americas and Asia, employing around 6 000 people. The Surface Solutions Segment is part of the Switzerland-based Oerlikon Group (SIX: OERL).

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