

Second quarter 2015 results

Oerlikon delivers solid profitability and progresses with its strategic initiatives

- Order intake slightly increased by 1.0 % to CHF 731 million
- Sales stabilized at CHF 781 million. At constant exchange rates, sales increased by 5.9 % to CHF 827 million
- Solid profitability with an EBITDA margin of 16.9 % – the 14th consecutive quarter with an EBITDA margin exceeding 15 %
- Successfully extended maturity on syndicated credit facility at favorable interest rates
- Increased service revenues to 31.4 % of total Group sales
- Strengthened footprint in the Americas, India, China and Germany
- Full-year guidance for 2015 unchanged

Key figures of the Oerlikon Group as of June 30, 2015 (in CHF million)

	Q2 2015	Q2 2014 ¹	Δ	H1 2015	H1 2014 ¹	Δ
Order intake	731	724	1.0 %	1 524	1 402	8.7 %
Order backlog	614	772	-20.5 %	614	772	-20.5 %
Sales	781	781	0 %	1 563	1 492	4.8 %
EBITDA	132	130	1.5 %	263	255	3.1 %
EBITDA margin	16.9 %	16.6 %	–	16.9 %	17.1 %	–
Result from continuing operations ²	–	–	–	108	129	-16.3 %
ROCE (rolling 12-months)	10.4 %	11.2 %	–	10.4 %	11.2 %	–

¹ Metco consolidated for one month ² Reported only annually and semi-annually

Pfäffikon, Schwyz, Switzerland – August 4, 2015 – “We delivered solid profitability for the second quarter despite an increasingly challenging market environment. In the first half of the year, we increased our service revenues, strengthened our footprint, built up our business in adjacent markets and kept up our innovation momentum. We have progressed with our strategic initiatives in line with our strategy that is fully endorsed by the newly composed Board of Directors,” said Dr. Brice Koch, CEO of the Oerlikon Group. “One year after the acquisition of Metco, the Surface Solutions Segment is now our largest Segment. After successfully integrating the core functions and key operations of its two brands, Oerlikon Balzers and Oerlikon Metco, business at the Segment is moving toward normal operations. As a Group, we will continue to focus on increasing the value we provide to our customers with our technologies and services, and thereby sustain our profitability.”

Oerlikon Group second quarter review

In the second quarter of 2015, the Group's order intake increased by 1.0 % to CHF 731 million compared to CHF 724 million in Q2 2014. The Group's sales amounted to CHF 781 million in Q2 2015, at the same level as in Q2 2014. At constant exchange rates, sales increased by 5.9% to CHF 827 million. Group EBITDA stood at CHF 132 million, correlating to an EBITDA margin of 16.9 %. This marks the 14th consecutive quarter where the EBITDA margin exceeded 15 %. The solid operating profitability benefited from the Group's ongoing operational excellence initiatives and prudent cost management. EBIT for Q2 2015 stood at CHF 86 million (Q2 2014: CHF 92 million). The second quarter performance resulted in a rolling 12-month Oerlikon Group ROCE (Return on Capital Employed) of 10.4 %.

In the second quarter, Oerlikon succeeded to extend the maturity of its syndicated credit facility to June 2017 at adjusted favorable interest rates that reflect both the current interest rate environment and the improved corporate risk profile of the Group.

The Surface Solutions Segment recorded strong top-line results and profitability, attributed to the Metco acquisition and also to underlying organic growth. The Manmade Fibers Segment stabilized orders and sales for Q2 2015 to around the same levels seen in Q1 2015, and maintained good operating profitability at mid-teen percentages for the third consecutive quarter despite the ongoing market normalization. The Drive Systems Segment reported orders, sales and operating profitability below prior-year level due to ongoing weakness in the agriculture, mining and oil & gas markets, but sustained its operating profitability sequentially thanks to operational excellence initiatives gaining traction. The Vacuum Segment increased order intake year-on-year, but sales and operating profitability were lower compared to the previous year due to more demanding market conditions and a step-up in investments in operational excellence initiatives.

Oerlikon Group half-year overview

For the first half of 2015, order intake increased by 8.7 % to CHF 1 524 million while sales increased by 4.8 % to CHF 1 563 million year-on-year. EBITDA came in at CHF 263 million, corresponding to a margin of 16.9 % while EBIT stood at CHF 172 million. Net income amounted to CHF 87 million.

In the first six months of 2015, Oerlikon successfully closed the divestment of the Advanced Technologies Segment, focusing the Group on its core businesses. It also strengthened its global reach and support for customers through its own new sales and services sites or distributor sites in the Americas (Canada, USA, Argentina, Chile, Colombia and Peru), Asia (China and India) and Europe (Germany). As the Group improved its proximity and service offering to customers, it increased its service business to 31.4 % of total Group sales. The Group also further built up its business in adjacent growth markets such as polycondensation and in the rapidly-evolving market for additive manufacturing.

2015 outlook unchanged

The global economic picture is expected to continue to be mixed: the US is forecasted to grow in 2015, while Asia adjusts further to slower growth rates and Europe needs to resolve its sovereign debt issues. Certain positive trends in the aerospace sector are predicted to continue while markets such as agriculture, mining, and oil & gas are expected to remain weak in the foreseeable future. Considering the Group's positive performance in the first and second quarters of 2015 and the current assessment of the market environment, the full-year guidance on the following key financial metrics at constant exchange rates remains unchanged:

- Order intake to increase by around 10 %
- Sales to increase by around 5 %
- EBITDA margin to be sustained at prior-year level

Surface Solutions Segment

Key figures of the Surface Solutions Segment as of June 30, 2015 (in CHF million)

	Q2 2015	Q2 2014 ¹	Δ	H1 2015	H1 2014 ¹	Δ
Order intake	299	203	47.3 %	616	327	88.4 %
Order backlog	81	86	-5.8 %	81	86	-5.8 %
Sales (to third parties)	309	203	52.2 %	609	328	85.7 %
EBITDA	69	26	>100 %	130	62	>100 %
EBITDA margin	22.2 %	12.6 %	–	21.3 %	18.8 %	–

¹ Consolidation of Metco for one month

The Surface Solutions Segment reinforced its best-in-class position with another quarter of positive performance. The Segment's order intake and sales increased strongly to CHF 299 million and CHF 309 million, respectively. The gains in sales were primarily attributed to the Metco acquisition, but also to underlying organic growth. The Segment saw good demand in the automotive and power generation sectors. However, a softening in the tooling market and in the materials for aviation and oil & gas businesses was noted.

EBITDA for the second quarter increased to CHF 69 million, corresponding to a strong margin of 22.2 %, which was significantly higher than the prior year's level and also higher sequentially (Q1 2015: 20.4 %). EBIT for Q2 2015 stood at CHF 42 million (Q2 2014: CHF 9 million). The strong operating profitability also reflects the cost efficiencies achieved in merging Oerlikon Balzers' and Oerlikon Metco's thin-film businesses and operations, and the resultant closing of two Oerlikon Metco sites.

After the successful integration of the core functions and key operations, business at the Segment is moving toward normal operations. The recent opening of the first new service center offering both Oerlikon Balzers and Oerlikon Metco technologies in Guelph, Canada, marked a strategic milestone for the Segment.

In Q2 2015, the Segment made initial inroads into the automotive industry with its eco-friendly and cost-saving ePD™ technology used for metallizing plastic components. Under the newly formed business area Metco Materials and Technology, the Segment is also addressing the demands of the promising additive manufacturing (3D printing) market. With its in-depth know-how and expertise in specialized powders and materials, the Segment is well-positioned to play a key role in developing innovative solutions for this up-and-coming business area.

Manmade Fibers Segment

Key figures of the Manmade Fibers Segment as of June 30, 2015 (in CHF million)

	Q2 2015	Q2 2014	Δ	H1 2015	H1 2014	Δ
Order intake	197	228	-13.6 %	401	468	-14.3 %
Order backlog	315	416	-24.3 %	315	416	-24.3 %
Sales (to third parties)	209	274	-23.7 %	417	570	-26.8 %
EBITDA	37	58	-36.2 %	73	123	-40.7 %
EBITDA margin	17.6 %	21.0 %	–	17.6 %	21.5 %	–

Despite the ongoing market normalization, the Manmade Fibers Segment stabilized orders and sales for Q2 2015 to around the same levels seen in Q1 2015. Orders came in at CHF 197 million (Q1 2015: CHF 205 million), while sales stood at CHF 209 million (Q1 2015: CHF 208 million). Year-on-year, the Segment reported for the second quarter 2015, as anticipated, lower order intake and sales.

The Segment also maintained good operating profitability with an EBITDA of CHF 37 million for the second quarter, corresponding to a margin of 17.6 %. The margin was lower than Q2 2014, but at the same level as seen in the preceding quarter (Q1 2015: 17.6 %), and reflects an EBITDA margin at mid-teen percentages for the third consecutive quarter. EBIT for Q2 2015 stood at CHF 32 million (Q2 2014: CHF 53 million).

The Manmade Fibers Segment strengthened its presence and business offering in the polycondensation market with the announced joint venture with Huitong in China. Furthermore, the Segment is increasing its efforts to grow its business outside of China and is seeing some positive sentiments in markets such as India. To improve proximity to customers, a new service center in Dalton, USA and a new technology center in Chemnitz, Germany, was opened.

In the second quarter of 2015, the Segment launched EvoTape to enable greater process stability in efficient tape extrusion for the production of carpets, agricultural textiles and geotextiles and also introduced EvoQuench to increase production efficiency for microfiber filament yarns. For RoTac³, the yarn processing technology introduced in Q1 2015, substantial initial orders have already been received.

Drive Systems Segment

Key figures of the Drive Systems Segment as of June 30, 2015 (in CHF million)

	Q2 2015	Q2 2014	Δ	H1 2015	H1 2014	Δ
Order intake	143	205	-30.2 %	315	414	-23.9 %
Order backlog	144	191	-24.6 %	144	191	-24.6 %
Sales (to third parties)	171	208	-17.8 %	354	402	-11.9 %
EBITDA	17	23	-26.1 %	35	42	-16.7 %
EBITDA margin	10.0 %	11.2 %	-	10.0 %	10.5 %	-

Due to ongoing weakness in the mining and oil & gas sectors as well as a slowdown in the agriculture market, orders and sales for the Drive Systems Segment came in lower in the second quarter of 2015 compared to the previous year. Order intake stood at CHF 143 million (-30.2 %) and sales at CHF 171 million (-17.8 %). Some positive developments were seen in the construction and transportation markets.

The EBITDA was CHF 17 million, 26.1 % lower than the previous year. As operational excellence initiatives gained traction, the Segment managed to maintain a double-digit EBITDA margin sequentially (Q1 2015: 10.0 %). EBIT for Q2 2015 stood at CHF 7 million (Q2 2014: CHF 12 million). The Segment will be accelerating its cost-effectiveness measures as part of its current strategic initiatives in order to be even more resilient, particularly as it faces an increasingly difficult market environment.

The Drive Systems Segment expanded its distribution network through partners in South America (Argentina, Chile, Colombia and Peru) where it will focus on customers in the industrial, off-highway, construction and agriculture sectors. In April, a third plant in India was officially inaugurated to better serve customers in the construction, transportation, industrial applications and agriculture businesses. In Q2 2015, the Segment brought out the next-generation power transfer unit (PTU) for new Mercedes-Benz cars.

Vacuum Segment

Key figures of the Vacuum Segment as of June 30, 2015 (in CHF million)

	Q2 2015	Q2 2014	Δ	H1 2015	H1 2014	Δ
Order intake	92	88	4.5 %	192	193	-0.5 %
Order backlog	74	79	-6.3 %	74	79	-6.3 %
Sales (to third parties)	92	96	-4.2 %	183	192	-4.7 %
EBITDA	9	11	-18.2 %	19	19	0 %
EBITDA margin	9.4 %	11.1 %	-	10.1 %	9.7 %	-

While still facing a demanding market environment, the Vacuum Segment recorded an increase in order intake of 4.5 % compared to Q2 2014. Sales at CHF 92 million were below (-4.2 %) the previous year's level, but slightly improved by 1.1 % sequentially compared to CHF 91 million seen in Q1 2015. Positive trends were observed in North America, while China showed signs of softening and Europe was characterized by uncertainties. The Segment saw favorable developments in the food & packaging market, but the recovery in the process industry was noticeably slow.

Operating profitability for the second quarter of 2015 came in below the previous year's level as the Segment stepped up its investments in and implementation of operational excellence initiatives at additional sites. EBITDA was reported at CHF 9 million, representing an EBITDA margin of 9.4 %. EBIT for Q2 2015 stood at CHF 6 million (Q2 2014: CHF 7 million).

In Q2 2015, the Vacuum Segment recorded some project wins in the scientific and R&D industries and made further inroads into steel degassing. The Segment also introduced a remote monitoring application that is simply added to the installed vacuum pumps. This application enables the supervision of the vacuum pumps' condition from any location, allowing early issue detection and fast reaction for repairs or replacements, as well as servicing planning in advance.

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Additional information

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

Country	Toll-free:	Toll-local:
Switzerland	0800 005 207	+41 44 583 18 01
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USA	+1 855 402 7767	-

The accompanying presentation can be viewed in parallel via the following link:
<http://event.mescdn.com/oerlikon/webcast-20150804>

Please find the media release including a full set of tables at www.oerlikon.com/pressreleases and www.oerlikon.com/ir

About Oerlikon

Oerlikon (SIX: OERL) is a leading global technology Group, focusing on providing market-leading technologies and services for surface solutions, manmade fibers manufacturing, drive systems and vacuum pumps and components in growth markets. These cutting-edge technologies benefit customers by improving their product performance, productivity, efficient use of energy and resources, and also by contributing to a more sustainable environment. A Swiss company with over 100 years of tradition, Oerlikon has a global footprint of over 15 500 employees at more than 200 locations in 36 countries and sales of CHF 3.2 billion in 2014. The company invested CHF 121 million in R&D in 2014 and has over 1 300 specialists developing innovative and customer-oriented products and services.

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