

Second quarter and half-year 2018 results

Strong quarterly growth and improved operating profitability – outlook raised

- 27 % increase in Group Q2 order intake year-on-year
- 37 % increase in Group Q2 sales year-on-year
- Surface Solutions Segment achieves double-digit growth
- Manmade Fibers Segment records strong growth in Q2 orders, sales and EBITDA margin
- Drive Systems Segment to be divested to Dana Inc. and reported as discontinued operations
- Group EBITDA margin improves in the second quarter
- Group net income for first half of 2018 increases by 136 % to CHF 111 million year-on-year
- Full-year guidance for 2018 continued operations raised

Key figures for the Oerlikon Group as of June 30, 2018 (in CHF million)

	Q2 2018 ¹	Q2 2017 ²	Δ	H1 2018 ¹	H1 2017 ²	Δ
Order intake	677	534	26.8 %	1 434	1 059	35.4 %
Order backlog	672	475	41.5 %	672	475	41.5 %
Sales	665	487	36.6 %	1 269	916	38.5 %
EBITDA	113	69	63.8 %	208	137	51.8 %
EBITDA margin	17.1 % ³	14.2 %	–	16.4 %	14.9 %	–
EBIT	72	32	>100 %	128	64	100 %
EBIT margin	10.8 %	6.7 %	–	10.1 %	7.0 %	–
Result from continuing operations ⁵				91	31	>100 %
Net income ⁵	–	–	–	111	47	>100 %
ROCE (rolling 12-month)	10.7 %	6.3 % ⁴	–	10.7 %	6.3 % ⁴	–

¹ Continuing operations. ² Restated according to new IFRS 15 (revenue recognition) accounting standard and for announced divestment of the Drive Systems Segment. ³ Including a one-time positive impact from announced divestment of Drive Systems Segment. ⁴ Not adjusted for divestment of Drive Systems Segment. ⁵ Reported annually and semi-annually only.

Pfäffikon, Schwyz, Switzerland – August 7, 2018 – “We achieved another quarter of excellent performance, recording strong growth in orders, sales and operating profitability,” said Dr. Roland Fischer, CEO Oerlikon Group.

“Our surface solutions business advanced on its growth trajectory, increasing orders by 16 % and sales by 17 %. More notably, operating profitability after expenses from increased investments for the Segment came in at over 20 %. Our Manmade Fibers Segment recorded another quarter of strong results, substantially increasing both orders and sales and significantly improving EBITDA margin. With the signing of the definite agreement to divest the Drive Systems Segment, we have achieved another strategic milestone. We can now focus on growing our surface solutions and advanced materials businesses, while strengthening our Manmade Fibers Segment in its end markets. As a result of our exceptional first half-year performance, we have raised our outlook for the full year 2018.”

Oerlikon Group second quarter review

The global economy continued to expand in the second quarter of 2018, driving positive purchasing and investment trends in all of Oerlikon's end markets. Exploiting the opportunities presented by the positive market developments, Oerlikon succeeded in increasing orders and sales in almost all end markets, and improved operating profitability.

The Surface Solutions Segment carried its growth momentum forward into the second quarter, increasing orders and sales. A high level of demand was registered in the tooling and automotive markets, while strong uptake was seen in the aviation industry. The upward demand trend noted in the first quarter in general industries continued in the second quarter. After accounting for increased operating expenses related to higher investments, particularly in the additive manufacturing (AM) business, the Segment achieved an EBITDA margin of over 20 %. The Manmade Fibers Segment once again significantly boosted orders and sales in the second quarter. The large uptick was attributed mainly to heightened investments for filament equipment and substantiated with very strong demand for texturing, carpet yarn and polymer processing equipment and systems.

In the second quarter, the Group's order intake increased year-on-year by 26.8 % to CHF 677 million, while sales went up by 36.6 % to CHF 665 million. At constant exchange rates, sales stood at CHF 634 million. EBITDA for the second quarter increased to CHF 113 million, corresponding to a margin of 17.1 %. EBIT for Q2 2018 was at CHF 72 million, or 10.8 % of sales. The second quarter performance resulted in an improved rolling 12-month Oerlikon Group return on capital employed (ROCE) of 10.7 %.

Oerlikon Group half-year overview

In the first half of 2018, the Group's order intake increased year-on-year by 35.4 % to CHF 1 434 million, while sales came in 38.5 % higher than the prior year, reaching CHF 1 269 million. With the top-line increase, the EBITDA for the half year amounted to CHF 208 million, corresponding to a margin of 16.4 %. EBIT stood at CHF 128 million, or 10.1 % of sales. Net income for the first half of the year increased significantly by 136.2 % year-on-year to CHF 111 million. In the first six months of 2018, Oerlikon's service business contributed to 39.0 % of total Group sales.

As of June 30, 2018, Oerlikon had equity (attributable to shareholders of the parent) of CHF 1 945 million, representing an equity ratio of 43 % (2017: 45 %). Net cash amounted to CHF 363 million (2017: CHF 499 million) and the cash flow from operating activities increased by 74.8 % for the first half of 2018 to CHF 194 million, compared to CHF 111 million in 2017.

Delivering on strategy: divestiture of Drive Systems Segment

A definite agreement has been signed for the sale of Drive Systems Segment to Dana Incorporated for an enterprise value of CHF 600 million. The transaction is expected to close in late 2018 or the first quarter of 2019, pending customary approvals and closing conditions. In the second quarter, the Drive Systems Segment delivered a notable increase in orders and sales (over 20 %) by securing new business in all its end markets, particularly considerable growth was registered in the China and India transportation market. The Segment achieved an EBITDA margin of over 12 %, marking the fifth consecutive quarter of double-digit operating profitability.

2018 outlook raised

Global economy is still expected to grow for the rest of 2018, albeit at a slower pace and with risks mounting, triggered by sentiment shifts following escalating trade tensions and geopolitical uncertainties. However, based on the strong set of results in the first half of 2018, Oerlikon is confident that it will be able to sustain growth and is thus raising its outlook for the year. For the full year 2018 continued operations, Group order intake is expected to exceed CHF 2.6 billion, sales to be around CHF 2.6 billion, and Group EBITDA margin to exceed 15.5 %, after accounting for increased operating expenses from higher investments, particularly in AM, and impacts from the divestment of the Drive Systems Segment.

Segment overview

Surface Solutions Segment

Key figures for the Surface Solutions Segment as of June 30, 2018 (in CHF million)

	Q2 2018	Q2 2017 ¹	Δ	H1 2018	H1 2017 ¹	Δ
Order intake	395	340	16.2 %	779	691	12.7 %
Order backlog	154	102	51.0 %	154	102	51.0 %
Sales (to third parties)	394	338	16.6 %	755	669	12.9 %
EBITDA	80	70	14.3 %	149	141	5.7 %
EBITDA margin	20.2 %	20.7 %	–	19.7 %	20.9 %	–

¹ Restated according to new IFRS 15 (revenue recognition) accounting standard.

The Segment further advanced its business and delivered another quarter of strong results. Consistent sales growth was achieved in almost all end markets, such as tooling and automotive and across all regions. In the automotive market, Oerlikon's SUMEBore™ coating product, which improves engines' performance while reducing emissions, scored a major win with a global leading market player. In the aerospace industry, a higher level of demand was noted, while the upward trend in general industries continued into the second quarter. Europe remained the largest market for the Segment (46 %), followed by Asia (29 %) and North America (21 %), where noticeable increase in demand was registered in the second quarter.

Considering increased operating expenses from higher investments, especially in the AM business and for technology acquisitions, the Segment managed to obtain an EBITDA margin for Q2 2018 of over 20 %, representing an improvement in operating profitability as compared to the two previous quarters (Q4 2017: 18.2 %; Q1 2018: 19.1%). EBIT for Q2 2018 stood at CHF 45 million (Q2 2017: CHF 40 million) and the EBIT margin was 11.4 % (Q2 2017: 11.6 %).

In the second quarter, the Segment strengthened its footprint for customers, with the opening of its largest coating center for tools in Europe in Bielefeld, Germany, and a new production plant in Nagoya, Japan, specifically for automotive customers. In addition, a new European shared services center for the Segment has been announced. The center will be set up in Warsaw, Poland, enabling further efficiencies in resources and improvements in productivity.

In order to further expand its AM offering in the medical market, the Segment acquired DiSanto Technology Inc. (DTI) from GE Additive. DTI, based in Shelton, Connecticut, USA, offers manufacturing and engineering services for surgical implant and instrument systems, specializing in the orthopedic and spine markets. Furthermore, the Segment expanded its partnership network and is collaborating with RUAG and Lufthansa Technik to develop AM components for aerospace and with IABG, a leading European provider of services such as technological testing, analysis and consulting, to accelerate the qualification and certification of AM components and to establish new standards for AM.

Manmade Fibers Segment

Key figures for the Manmade Fibers Segment as of June 30, 2018 (in CHF million)

	Q2 2018	Q2 2017 ¹	Δ	H1 2018	H1 2017 ¹	Δ
Order intake	282	194	45.4 %	655	368	78.0 %
Order backlog	518	373	38.9 %	518	373	38.9 %
Sales (to third parties)	271	149	81.9 %	514	247	>100 %
EBITDA	32	3	>100 %	59	3	>100 %
EBITDA margin	11.8 %	2.2 %	–	11.5 %	1.2 %	–

¹ Restated according to new IFRS 15 (revenue recognition) accounting standard.

The Manmade Fibers Segment continued its success streak, significantly boosting orders and sales in the second quarter. The filament equipment market, led primarily by China, was the main contributor to the excellent top-line improvement, and was strongly supported by business wins for texturing, carpet yarn (bulk continuous filament, BCF) and polymer processing equipment and systems. In the second quarter, Segment sales doubled in China, and tripled in India and North America as compared to the same period in the previous year.

The Segment significantly improved operating profitability with an EBITDA margin for Q2 2018 of 11.8 %, while continuing to ramp up production capacities to manage the significant increase in orders. EBIT for Q2 2018 stood at CHF 26 million (Q2 2017: CHF -2 million) and the EBIT margin was 9.5 % (Q2 2017: -1.2 %).

In the second quarter, the Segment acquired AC-Automation, an engineering company based in Germany, enabling the Segment to integrate additional large-scale plant automation solutions for customers in the textile industry. The Segment also announced the divestment of its technology solutions for tape and monofilament plants to the Austrian Starlinger Group, allowing the Segment to focus on its filament, staple fiber and nonwovens businesses. For its nonwovens business, the Segment has received a new order from Germany and foresees a promising pipeline, especially in Europe and Asia.

Additional information

Oerlikon will present its results in English during its conference call today beginning at 13:00 CEST. To participate, please dial the following numbers a few minutes before the start of the conference call:

Country	Local toll call:
Switzerland	+41 (0) 58 310 50 00
UK	+44 (0) 207 107 06 13
USA	+1 (631) 570 5613

The accompanying presentation can be viewed simultaneously by clicking [here](#).

The interim (half-year) report 2018 can be downloaded at www.oerlikon.com/interimreport-2018 and the media release including a full set of tables can be found at www.oerlikon.com/pressreleases and 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 over 9 500 employees at 171 locations in 37 countries. In 2017, Oerlikon generated CHF 2.1 billion in restated sales and invested around CHF 100 million in R&D.

For further information, please contact:

Michael Praeger
Head of Group Communications
Tel +41 58 360 96 02
michael.praeger@oerlikon.com
www.oerlikon.com

Andreas Schwarzwälder
Head of Investor Relations
Tel +41 58 360 96 22
a.schwarzwaelder@oerlikon.com
www.oerlikon.com

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